

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

FREE SPEECH SYSTEMS LLC, ) CASE NO: 22-60043-cml  
) Houston, Texas  
)  
Debtor. ) Monday, November 27, 2023  
) 2:02 PM to 4:48 PM  
-----)  
) CASE NO: 22-33553-cml  
ALEXANDER E. JONES, )  
)  
Debtor. )  
-----)

TRIAL

BEFORE THE HONORABLE CHRISTOPHER M. LOPEZ  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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1                   HOUSTON, TEXAS; MONDAY, NOVEMBER 27, 2023; 2:02 PM

2                                   (Call to Order)

3                   CLERK: All rise. Please be seated.

4                   THE COURT: Okay, good afternoon, everyone. This  
5 is Judge Lopez, who's turning on his camera now. It is  
6 November 27th. I hope everyone had a great Thanksgiving.  
7 I'm going to call the two o'clock case I've combined in Free  
8 Speech Systems and the case of Alex Jones, here on a couple  
9 of matters in each case. Why don't I take appearances in  
10 the courtroom. If you know you're going to be speaking  
11 today, I'd ask that you please hit five-star and I will  
12 unmute your line. Once I unmute your line, just please  
13 monitor yourselves and we'll get started.

14                   Ms. Driver good afternoon.

15                   MS. DRIVER: Good afternoon, Your Honor. Vickie  
16 Driver here on behalf of Mr. Jones, both in his individual  
17 case as well as the 100 percent owner and manager of the FSS  
18 entity, and Mr. Jones is here in the courtroom with us.

19                   THE COURT: Good afternoon to both of you. Mr.  
20 Battaglia, good afternoon.

21                   MR. BATTAGLIA: Good afternoon, Your Honor. Ray  
22 Battaglia for Free Speech Systems, Mr. Magill, the chief  
23 officer is in the courtroom.

24                   THE COURT: Good afternoon to both of you.

25                   MS. BRAUNER: Good afternoon, Your Honor. Sara

1 Brauner, Akin Gump Strauss Hauer & felt on behalf of the  
2 Committee. With me are my partners, Marty Brimmage and  
3 Katherine Porter.

4 THE COURT: All right. Good afternoon.

5 MR. LEMMON: Your Honor, Steve Lemmon for PQPR.

6 THE COURT: Good afternoon, Mr. Lemmon.

7 MS. HARDY: Good afternoon, Your Honor. Jennifer  
8 Hardy, Willkie Farr & Gallagher for the Texas plaintiffs.  
9 Also in the courtroom is also Avi Moshenberg, also co-  
10 counsel or the Texas plaintiffs.

11 THE COURT: Good afternoon to both of you. Mr.  
12 Patterson, good afternoon.

13 MR. PATTERSON: Afternoon, Your Honor. Johnie  
14 Patterson here on behalf of Elevated Solutions Group.

15 MR. NGUYEN: Good afternoon, Your Honor. Ha  
16 Nguyen for the U.S. Trustee.

17 THE COURT: Good afternoon.

18 MR. KIMPLER: Hi, good afternoon, Your Honor.  
19 Kyle Kimpler from Paul Weiss Rifkin Wharton and Garrison on  
20 behalf of the Connecticut plaintiffs, joined in the  
21 courtroom by my co-counsel Alinor Sterling and on the phone  
22 by our local counsel, Ryan Chappell.

23 THE COURT: All right. Good afternoon.

24 MS. FREEMAN: Good afternoon, Your Honor. Liz  
25 Freeman. I am counsel for Melissa Haselden, the Subchapter

1 V for Free Speech Systems.

2 THE COURT: Good afternoon. All right, I'm going  
3 to start unmuting a few lines here. It may just be one.  
4 It's a 202 number.

5 MR. RUFF: Good afternoon, Your Honor. Jayson  
6 Ruff on behalf of the United States Trustee's Office.

7 THE COURT: Okay. Anyone else? Let's see. I  
8 will check this in a little bit to see kind of where we are,  
9 but Mr. Ruff, sounds like it's just you, and just give me a  
10 second. All right. Who do I turn this over to? Ms.  
11 Driver?

12 MS. DRIVER: If I may, Your Honor, Mr. Battaglia  
13 said it was okay if I gave her a start today.

14 THE COURT: Absolutely.

15 MS. DRIVER: Your Honor, we do have a couple of  
16 matters in each one. I think that it was everyone's  
17 agreement, the Committee, the Debtors, that we start with  
18 the status conference that was set to sort of walk through  
19 kind of where -- I'll say the Jones case is going and then  
20 I'll let Mr. Battaglia chime in on his -- how the FSS  
21 pattern would fit in.

22 THE COURT: Okay.

23 MS. DRIVER: I think you saw a couple of filings.  
24 My request for the status conference and then the  
25 Committee's -- I believe it was a -- I apologize. I don't

1 have a name in front of me, but it was a statement, I think.

2 THE COURT: Yeah.

3 MS. DRIVER: Where essentially both of us are  
4 saying let's just get the show on the road. We had had a  
5 informal standstill where we just weren't willy-nilly filing  
6 plans over the top of one another to just sort of minimize  
7 fees in this case. On Monday before Thanksgiving holiday,  
8 the Committee told me that they were ready to move forward  
9 and file something with the Court.

10 My office was not, quite frankly, staffed enough  
11 to finish up what we were doing. We've been working on a  
12 plan for quite some time. It's been a little bit of a work  
13 in progress kind of seeing how this case has been going and  
14 what's been happening in the settlement negotiations, what  
15 we think we can do. But we believe it is imminently  
16 possible, and our goal is to file a plan by the second week  
17 of December.

18 I think starting with that date, I think we can  
19 work through, and we don't need to "mushmash" all the  
20 details in front of Your Honor today, but I'll let Ms.  
21 Brauner kind of finish that up. I think we'd be looking, to  
22 have a confirmation hearing in probably the end of February.

23 And so, I think that gives us a little bit of time  
24 to have a disclosure statement hearing in there which, my  
25 personal opinion on disclosure statements and I haven't done

1 one in front of Your Honor, so you tell me different, I  
2 think a disclosure statement says what I want to disclose  
3 and if anybody else has objections to it, if they contact me  
4 and they tell me what they want in there, I will say the  
5 plaintiffs allege that -- who and who. I will tell anybody  
6 who has standing in this case, we say it this way, they say  
7 it that way, and they disagree with me and that's just the  
8 risk you need to know about.

9 And so I don't expect to have a really contested  
10 disclosure statement hearing. In this case, it may be a  
11 little bit more sense for me to do my disclosure statement  
12 and then for them to do sort of their disclosure statement,  
13 depending on if we, you know, end up getting into a one-  
14 track plan or a two-track plan. But I don't see the  
15 disclosure statement hearing as being something that should  
16 take up a significant amount of Your Honor's time.

17 I do think the confirmation hearing at this point,  
18 I -- we are dual tracking settlement negotiations. We are  
19 still trying to move towards a common exit, but candidly, I  
20 don't -- I'm not so faithful in the outcome of those right  
21 now that I wouldn't say that we should plan on not having a  
22 contested confirmation. I really would like to reserve time  
23 to do that contested confirmation hearing.

24 THE COURT: Okay.

25 MS. DRIVER: But whether we want to try to nail

1 that down today or if we just want to work on some dates and  
2 submit it later remains to be seen. I think that the  
3 message today for Your Honor and for, quite frankly, the  
4 multiple numbers of media that are attending this hearing is  
5 that Mr. Jones wants this case out of bankruptcy just as  
6 much or more than anybody else in this case.

7 What you will see -- what you have seen and what  
8 you will see coming up in our case, you've seen a motion to  
9 sell the personal property. It's got an objection deadline  
10 coming up. We don't get any objections. I'll submit a, you  
11 know, an order to get that granted and we're ready to start  
12 selling off some personal property. You'll also see a  
13 motion to appoint a couple of brokers to sell some of the  
14 nonexempt real estate so that we can start maximizing the  
15 value of some those.

16 So, while it may not be the way that the Committee  
17 and its members wanted to see it, there is and will be  
18 progress in this case. And I think all of the professionals  
19 in the room and Mr. Jones being in the room can tell you, we  
20 all want to get this thing out of bankruptcy and we're all  
21 ready to go.

22 So, while it may have looked like we had some  
23 warring pleadings and the press sure liked to cover it that  
24 way, in reality, we agree on a lot more than we don't agree  
25 on at this point, especially as to the process itself. So



1 we wanted to make sure that we stated that for Your Honor.  
2 And how that's going to work with the FSS confirmation, I'm  
3 going to leave that to you and Mr. Battaglia to talk about.  
4 But I think at this point, I'd be happy to turn it over to  
5 Ms. Brauner. She could address her client's position as to  
6 sort of what I've addressed.

7 THE COURT: I've got no issues with anything that  
8 you said. And I do think if that's the schedule that we're  
9 on, that at some sense, there should be some coordination  
10 with FSS as well.

11 MS. DRIVER: Yes.

12 THE COURT: And so that those dates kind of sync  
13 up. I think a lot of issues could overlap and I'm not -- I  
14 don't want to do it twice. I think it's going to be highly  
15 -- it's not a good use of anyone's time to come twice. But  
16 obviously, every plan is going to have to stand on its own,  
17 every case is on its own, but maybe we can all just kind of  
18 pick a couple of days and tell me about, just at the 10,000  
19 foot level --

20 MS. DRIVER: Sure.

21 THE COURT: The motion to reject and kind of where  
22 things stand with that and I don't know if there's an issue  
23 or if there's an issue just at the 10,000 foot level.

24 MS. DRIVER: Ten thousand foot level, Your Honor,  
25 I'm going to be able to just resolve anything that was not

1 resolved, meaning I'm going to have it just 100 percent  
2 agreed upon motion because we're dropping the request as to  
3 Elevated Solution Group. In preparing for this motion in  
4 this hearing today, I noticed that both of those contracts  
5 have terminated upon their own terms.

6 THE COURT: Yeah.

7 MS. DRIVER: Those were filed back in April and  
8 they were just protracted negotiations amongst all of the  
9 parties, mostly FSS and ESG, that resulted in a joint  
10 stipulation that Your Honor signed and quite frankly, Your  
11 Honor, the only thing that's really left as far as I'm  
12 concerned with ESG is if they feel like they have a damages  
13 claim, you know, they need to bring it to this Court, but  
14 they're terminated at this point. So, I just don't have a  
15 desire to spend the estate's resources trying to press for  
16 rejection as of that --

17 THE COURT: As of the April date?

18 MS. DRIVER: The date of the -- the date of  
19 motion.

20 THE COURT: Yeah.

21 MS. DRIVER: I just don't think it's worth our  
22 time to do that today.

23 THE COURT: Even a --

24 MS. DRIVER: So, I'm just going to request that we  
25 withdraw those requests for relief as moot, and I just

1 intend to move forward with the Mountain Way Marketing  
2 contract with -- to which no one filed any objection.

3 THE COURT: Okay. Thank you. Mr. Patterson, I  
4 see you up there. It might as well be a good time, and then  
5 I'll turn to Ms. Brauner.

6 MR. PATTERSON: Well, a couple of things. Seeing  
7 I have an out-of-town client, it would've been nice to know  
8 that prior then ten after two, after he's already traveled  
9 and come this way, the contracts haven't terminated. They  
10 may have expired, but with both contracts, he's owed  
11 \$300,000-plus on the platinum contract, which I believe the  
12 stipulation assumed that contract. I was told no  
13 differently until they decide to go forward with some  
14 rejection claim after the stipulation to continue that  
15 contract and pay it out.

16 There's still inventory. There's about three  
17 hundred and forty, fifty thousand dollars owed if and when  
18 that inventory is sold, pursuant to the stipulation, that  
19 he's owed approximately, but Mr. Dalessio is here and he  
20 could provide all that to the Court, so it's a little bit  
21 frustrating. There are facts. Allowing the contracts to  
22 expire doesn't resolve assumption or rejection. There are  
23 still issues. We're going to fight this fight, I guess, at  
24 confirmation unless they are agreeing to assume or agree  
25 that they were assumed.

1 THE COURT: If the contract ---

2 MR. PATTERSON: I'm okay with that.

3 THE COURT: The contract has expired, what is the  
4 Debtor assuming?

5 MR. PATTERSON: Well --

6 THE COURT: I don't know if the contract expired.  
7 I'm just kind of dealing with a hypothetical here. The  
8 contract has expired, what is the Debtor assuming under 360?

9 MR. PATTERSON: Well, you've got to look at the  
10 petition date, judge. Whether it was an executory contract  
11 on the date of the petition, right, and that determines  
12 whether it can be assumed or rejected --

13 THE COURT: Right.

14 MR. PATTERSON: -- by the estate. Now, if it runs  
15 its course post-petition, we still have issues. For  
16 example, there are breaches. There are claims for damages  
17 or will be that accrued post-petition. Now, what Ms. Driver  
18 and the Debtor, I think, were trying to manipulate is some  
19 date of rejection in order to push those, I believe,  
20 intentional acts or breaches prepetition to cut off ESG from  
21 being able to pursue those.

22 That's the issue. So, it's a little more  
23 complicated. Yes, the contracts by their terms were one-  
24 year contracts that as of today, that one-year term has run.  
25 However, they were both renewable. Whether acts that

1 constituted renewing these contracts occurred, I don't know.

2 THE COURT: So, maybe they haven't -- maybe  
3 they've expired, maybe they technically haven't.

4 MR. PATTERSON: That's right.

5 THE COURT: I got it.

6 MR. PATTERSON: That's right. Plus, we have to  
7 deal with the damage claims and continued performance under  
8 the platinum contract that was subject to the stipulation.

9 THE COURT: Are you contemplating -- just so I  
10 understand, if damages -- I get the deal that I approved,  
11 and that deal has to get honored, right?

12 MR. PATTERSON: That's right.

13 THE COURT: Like the inventory is going to get  
14 sold and every -- and it's going to get split in accordance  
15 with its terms. Are you saying that there are -- there may  
16 be damages in addition or did the stip settle everything in  
17 your opinion?

18 MR. PATTERSON: Two contracts. So, the stip, I  
19 think if it's honored, will resolve those things. I think  
20 that's --

21 THE COURT: I signed it. It kind of has to be,  
22 though.

23 MR. PATTERSON: Well, we're here on a rejection  
24 motion on that contract, Judge.

25 THE COURT: No, no, no, agreed.

1 MR. PATTERSON: So, I agree with you but not  
2 everyone in this room, I think, agrees with that position.  
3 I agree with you that the stip resolved that part of the  
4 motion and so that performance needs to go forward. I think  
5 assuming the stip is complied with and honored, probably  
6 resolves all of our platinum issues. The Bourbon contract  
7 is something different.

8 THE COURT: Okay.

9 MR. PATTERSON: And so, what we want resolved is  
10 our ability or how are we going to treat what we consider  
11 post-petition breaches of that agreement.

12 THE COURT: Okay.

13 MR. PATTERSON: And that's, I think the Debtor was  
14 trying to manipulate date of rejection and all those things,  
15 and so we need to address it sometime and having Mr.  
16 Dalessio travel over a holiday weekend down here only to be  
17 told oh, we're withdrawing, I think is a little bit  
18 problematic.

19 THE COURT: I can --

20 MR. PATTERSON: There's not a lot we can do.

21 THE COURT: I can share some thoughts, now that  
22 hopefully can provide some clarity to the parties about kind  
23 of where we go. Thank you. No, no, I appreciate it. Mr.  
24 Battaglia.

25 MR. BATTAGLIA: Just with respect to this

1 particular issue, the stipulation does provide for a run out  
2 of remaining platinum inventory.

3 THE COURT: Yeah.

4 MR. BATTAGLIA: And we continue to abide by the  
5 stipulation. There are weekly reports. I won't say that  
6 there haven't been a hiccup or two because of the change of  
7 our banking situation.

8 THE COURT: Right. No, no, no, I remember.

9 MR. BATTAGLIA: But, so that was a timeliness  
10 issue, not to my knowledge, there are no issues that we've  
11 not distributed the amounts of money that we're supposed to  
12 distribute.

13 THE COURT: Okay. Since you're standing up, Mr.  
14 Battaglia, why don't I just ask you in terms of -- with  
15 respect to FSS, you know, you filed a plan. What do you  
16 wish to tell me kind of at the -- kind of at the 10,000 foot  
17 level before we dive in this stuff?

18 MR. BATTAGLIA: I know the only opinion that truly  
19 matters here is yours --

20 THE COURT: No.

21 MR. BATTAGLIA: -- at the end of the day, but --

22 THE COURT: That ain't true.

23 MR. BATTAGLIA: It's -- you know, my client has  
24 instructed me to move ahead with the plan and plan  
25 confirmation and I can't deny that there's a correlation

1 between the Alex Jones estate and the Free Speech estate.  
2 And frankly, that's his ability to sit in the chair and  
3 broadcast. But other than that, in our opinion, they're  
4 distinct plans. One is a Sub V plan and one is a Chapter 11  
5 plan, and we're ready to go. We don't have a disclosure  
6 statement issue. We'd just as soon move ahead.

7 THE COURT: Kind of giving me a preview, where do  
8 things stand with cash collateral?

9 MR. BATTAGLIA: So, there's an issue, clearly,  
10 that they've raised. We've decided that we waited long  
11 enough to try to raise Alex Jones' salary and so we sent the  
12 notice in November. If you recall, if I back up a little  
13 bit, September, you said you're not having another cash  
14 collateral hearing. And I said, well, then I guess I'll  
15 just file a notice because we've got to operate in November.  
16 And you said fine. I filed that notice and included an  
17 increase in Mr. Jones' salary to the million and a half  
18 dollar annual level.

19 THE COURT: The part that I was a little hazy on -  
20 - and I don't want to take up evidence now -- it's just the  
21 million and a half, is that operating under the agreement  
22 that was subject to the motion or is it completely different  
23 agreement?

24 MR. BATTAGLIA: I believe the number comes from  
25 there, but it's the number that Mr. Magill will testify he



1 thinks is an appropriate level of compensation. We're not  
2 trying to tie anybody's hands. They want to oppose --

3 THE COURT: How do I --

4 MR. BATTAGLIA: -- employment contract --

5 THE COURT: How do I take that up today? How do I  
6 take up --

7 MR. BATTAGLIA: Just --

8 THE COURT: How do I take up an employment  
9 agreement?

10 MR. BATTAGLIA: I'm not asking you to approve an  
11 employment contract. He's still an at-will --

12 THE COURT: You kind of ar.

13 MR. BATTAGLIA: He's still an at-will employee.  
14 You're just changing the salary that we're paying him.

15 THE COURT: Don't you think that's an out of  
16 ordinary course transaction?

17 MR. BATTAGLIA: Think it's an ordinary course  
18 transaction.

19 THE COURT: You think it's ordinary course?

20 MR. BATTAGLIA: Yes, sir. Mr. Magill pays people  
21 what he pays them and he's raised salaries --

22 THE COURT: That would not --

23 MR. BATTAGLIA: -- for individuals --

24 THE COURT: -- in connection with --

25 MR. BATTAGLIA: -- as long as it's in the cash

1 collateral order.

2 THE COURT: I'm concerned about that. I'll be  
3 honest with you.

4 MR. BATTAGLIA: I can see that obviously --

5 THE COURT: But I will tell you, I've got no issue  
6 with FSS paying, you know, Mr. Jones fair market value.  
7 Like, let's be honest. Like, that's how FSS makes money.

8 MR. BATTAGLIA: Right.

9 THE COURT: So we can't act like -- and I don't  
10 think there -- need to be restrain in that respect, but I do  
11 want to make sure that we're following the code in every  
12 respect. And because he's an insider, technically -- I'm  
13 using bankruptcy terms here -- because he's technically an  
14 insider, 503 has to get satisfied.

15 And I don't know how he was operating before. I  
16 remember there was an employment agreement way early. I  
17 think it was for like 1.3, but no one ever went forward on  
18 the 1.3.

19 MR. BATTAGLIA: He's been compensated based on  
20 cash collateral negotiations between the plaintiffs and Free  
21 Speech Systems. And before his bankruptcy was filed, that  
22 number had no relation to anything. And it's something I  
23 know they briefed that and opposed for a while. \$20,000 per  
24 pay period was just something that I could avoid a fight  
25 with the creditors in this case.

1 THE COURT: No, I remember. I remember.

2 MR. BATTAGLIA: -- in a budget and I've always  
3 thought he was under compensated and obviously now that he's  
4 in bankruptcy, there have been negotiations and discussions  
5 since as far back as May and even this Court said he should  
6 be compensated fairly. You didn't say what the number is  
7 and I appreciate that, but that's all we're trying to do is  
8 pay him a fair living wage and to a certain degree, this is  
9 a left pocket, right pocket issue. I mean, I'm taking it  
10 against one exposed estate and paying it to another exposed  
11 estate. But at the end of the day, you know --

12 THE COURT: And they're two separate cases, right,  
13 and they have to be analyzed separately in terms of what FSS  
14 --

15 MR. BATTAGLIA: I'm not trying to pre-ordain any  
16 of the other provisions of the employment contract are  
17 approved by Mr. Magill agreeing to pay a higher rate of pay  
18 to Mr. Jones at this time. It's just he thinks that this  
19 fair compensation. It should have been implemented a while  
20 back, while we waited for negotiations to happen. They  
21 didn't bear fruit, obviously at odds with each other between  
22 the creditors and Free Speech, and so we want to keep a  
23 happy employee because --

24 THE COURT: No, no, no.

25 MR. BATTAGLIA: -- how we make money.

1 THE COURT: I got it.

2 MR. BATTAGLIA: So that's -- he believes that --

3 THE COURT: What gives me a little heartburn is  
4 that there was a motion on file where someone was asking me  
5 to approve this same number and then --

6 MR. BATTAGLIA: But there --

7 THE COURT: And then it stopped. I got it. It  
8 was in a different deal, but it stopped. Right? And now no  
9 one decided to press forward in connection with that and  
10 now, that same number is popping up just in a different --  
11 through a cash collateral motion?

12 MR. BATTAGLIA: Would it have been different,  
13 appreciably, if it was \$10,000 a pay period less? I mean,  
14 we're not really trying to preordain all of Mr. Jones'  
15 obligations under that contract or the bonus provision.

16 THE COURT: No, it's just that it makes me have to  
17 look at the procedural safeguards that are in the code --

18 MR. BATTAGLIA: Understood.

19 THE COURT: -- under 503 to make sure that those  
20 are complied with, as I would in any case. You know, I  
21 don't know why someone didn't go forward. I know -- well, I  
22 do know. Somebody -- there were negotiations and stuff  
23 going on, but I don't know.

24 MR. BATTAGLIA: I think the assumption was that  
25 this was something that would be taking up in conjunction

1 with plan confirmation, ultimately, because --

2 THE COURT: But if the plan is going to be --

3 MR. BATTAGLIA: -- all of the provisions --

4 THE COURT: -- confirmed, if you're going to see  
5 plan confirmation, let's just say, in two, two-and-a-half  
6 months, right, let's just -- I'm making up a number, a date  
7 I should say, why aren't we taking that up in connection  
8 with plan confirmation, assuming an agreement in connection  
9 with plan confirmation and making sure that disposable  
10 income goes there? We're only talking 60 days. Well, no,  
11 maybe not more -- maybe more, because I suspect you're  
12 talking two to three months and that's real money and I got  
13 it.

14 MR. BATTAGLIA: It is real money, and from my  
15 perspective, my client's perspective, I want Mr. Jones being  
16 productive in the chair.

17 THE COURT: No, I got it.

18 MR. BATTAGLIA: And that's important to me,.

19 THE COURT: No, I got it.

20 MR. BATTAGLIA: And I can't tell you the number of  
21 times that we've had issues and questions and arguments  
22 about the rate of pay. And so I'm trying to remedy that as  
23 I've been trying to remedy it since May of this year. And,  
24 and so if the number is not right because it's too close to  
25 a contract number, Mr. Magill arrived at the number because

1 he thinks that's fair compensation, whether it's under  
2 contract or as an at-will employee. But, you know, two-and-  
3 a-half months, I don't know. Do I have this productive  
4 employee for two-and-a-half months? Does Mr. Jones care  
5 whether he gets paid now or in two-and-a-half months?

6 THE COURT: I'm sure he does. Everybody --

7 MR. BATTAGLIA: -- suspect he does.

8 THE COURT: I'm sure he does.

9 MR. BATTAGLIA: So, you know, he's been woefully  
10 under compensated for over a year now.

11 THE COURT: Okay.

12 MR. BATTAGLIA: That's what we're trying to  
13 remedy.

14 THE COURT: I'm just thinking out loud. I don't  
15 want anybody to think --

16 MR. BATTAGLIA: Clearly, it's the issue that's  
17 going to come before the judge, before Your Honor today.

18 THE COURT: Okay. Thank you. Mr. Brimmage, good  
19 afternoon.

20 MR. BRIMMAGE: Good afternoon, Your Honor. Marty  
21 Brimmage here on behalf of -- with Akin here on behalf of  
22 the Unsecured Creditors Committee. I'm going to just  
23 provide some preliminary comments, Your Honor, and then Ms.  
24 Brauner is going to come up and give you the substance on  
25 behalf of the Committee. But let me just start by saying on

1     behalf of all the Committee members and the Committee  
2     advisers, we hope that the Court and its staff had a  
3     relaxing and fun Thanksgiving holiday and weekend.

4             I'm standing here in a suit and tie, so it's clear  
5     to me that that party is over and here we are. So, let me  
6     just start. Let me level set. The Alex Jones case was  
7     filed in December the 2nd 2022. We are approaching the one  
8     year anniversary. The FSS case was filed in July of 2022,  
9     so we're looking at 16 months. And of course, as you've  
10    noted, and everybody has noted, we understand these are two  
11    distinct cases, but they're very intertwined in many of the  
12    issues that they have. I think we just heard that in the  
13    colloquy as it relates to the payment of Mr. Jones.

14            The Committee understands the unique nature of  
15    these cases, Your Honor, and so do the Sandy Hook families.  
16    We understand that they're unique in their procedural  
17    aspects, that there's two cases, the sensitive nature of the  
18    facts that led us here, the state court litigation that led  
19    us here, and all that concerns.

20            And so we're clear. Everybody knows that. And  
21    the Committee has spent significant time trying to reach a  
22    consensual resolution. We participated in discussions from  
23    the get-go. We've been motivated to participate and to  
24    participate in good faith. We participated in the mediation  
25    that was ordered by this Court. We provided a number of

1 proposals and feedback to proposals that have been provided  
2 to us, and we earnestly engaged in those discussions.

3 And recently, when the Court issued its ruling on  
4 the non-dischargeability motions, those discussions picked  
5 up. I think everybody was waiting to see how that turned  
6 out, reasonably so, to see how do we go forward and what  
7 does that mean? So at the Debtor's request, Ms. Driver's,  
8 she requested an in-person meeting and Akin agreed to host  
9 in New York.

10 And so everybody, I think everybody you see in  
11 this room and representatives of everybody you see in this  
12 room came to New York and sat down in a big conference room  
13 and spent half a day talking about a variety of issues and  
14 settlement issues. And I think it was constructive and it  
15 was productive. But to date, Your Honor, the parties remain  
16 very far apart. Like, not even close. So, we applaud these  
17 attempts to work constructively and to minimize the  
18 disputes, and I just wanted the Court to note the Committee  
19 has not run to you every time it has an issue.

20 We have tried to be judicious with our time with  
21 your judicial resources. We've tried to work out issues  
22 where we can and when we can't, you know, we punted the ball  
23 a little bit to later down the road. And the Committee will  
24 continue this approach. It will continue to be judicious  
25 with the Court's resource as well as the professionals and



1 the advisors. It will continue to engage in consensual  
2 negotiations and discussions.

3 But Your Honor, where we are now -- and I went  
4 over the calendar and how long these cases have been pending  
5 -- it's time to move the cases forward. That's all there is  
6 to it. It's time to bring them to a resolution that  
7 complies with the Bankruptcy Code -- the Court was just  
8 talking about that with regard to 503 -- that respects the  
9 underlying claims, the unsecured claims for sure, and maybe  
10 more importantly -- and it's not in the code -- but provides  
11 closure to the Sandy Hook families who desperately need and  
12 deserve closure in these cases.

13 So the UCC filed its status report at ECF No. 498  
14 and we don't intend to go over all of that stuff in the  
15 background and what led to it today, Your Honor, but we do  
16 want to highlight a couple of things. With the Court's  
17 permission, Ms. Brauner would like to go over some more  
18 background and in more detail, but as I wrap it up, Your  
19 Honor, I just can't say strongly enough that the Committee  
20 is committed to engaging in constructive conversations to  
21 try to reach a consensual resolution.

22 But at the same time, it is start -- it's time to  
23 start a nonconsensual path. If things can't get resolved,  
24 consensually, where do these cases go and it's time to wrap  
25 them up. And so that's what we're here to discuss with you

1 today, Your Honor, and with that, I'll turn it over to Ms.  
2 Brauner.

3 THE COURT: Thank you.

4 MR. BRIMMAGE: Happy to answer any questions the  
5 Court may have.

6 THE COURT: No, just for one of you. I know Ms.  
7 Driver kind of set a course, essentially, of a late February  
8 timeline to try to hold some hearings. I just want to know  
9 from someone what your thoughts are about that timeline.

10 MR. BRIMMAGE: Let me give you the someone who is  
11 more in the know --

12 THE COURT: Perfect.

13 MR. BRIMMAGE: And we'll have to live up to  
14 whatever those (indiscernible) are.

15 THE COURT: All right. Ms. Brauner, good  
16 afternoon.

17 MS. BRAUNER: Good afternoon, Your Honor. Sara  
18 Brauner, Akin, on behalf of the Committee again, for the  
19 record. As Mr. Brimmage previewed, this case has been  
20 pending for almost a year the FSS case for even longer. I  
21 think you heard very clearly today, there's no real debate  
22 among the parties that now is the time to push these cases  
23 forward.

24 We will speak a little bit about the reasons why  
25 in particular, we think the cases are intertwined and should

1 move forward together and sort of on the same timeline, but  
2 just to answer your question up front, we have spoken with  
3 Ms. Driver. We are aligned in terms of the general  
4 parameters of a timeline to take it forward. We're happy to  
5 try to settle an order and come back to you with any  
6 disputes, but we are generally aligned.

7 THE COURT: So -- and I will tell you before you  
8 kind of launch in, I'm just looking now and I'd like to just  
9 lock them in just so that -- February 27th, 28th, 29th, kind  
10 of those three days. That's like a Tuesday, Wednesday, and  
11 Thursday. I don't think I have anything so I can just have  
12 my case manager kind of carve those dates out and just put  
13 brackets around them just so that if you come back and those  
14 dates may work, one of those dates, I don't want to -- and  
15 again, this is going to require people having conversations  
16 and making sure who can come in and making sure --

17 MS. BRAUNER: Yeah, I would say --

18 THE COURT: -- it all works.

19 MS. BRAUNER: -- why don't we just attempt --

20 THE COURT: I'm just telling you dates that I know  
21 work.

22 MS. BRAUNER: Yeah.

23 THE COURT: There are dates that are filling up,  
24 but I know that I can at least put a bracket around those  
25 three days and I'm not sure you need all three, but just so

1     you can have flexibility within those three days for -- I  
2     know that they work now and I can just have my case manager  
3     kind of put a -- not schedule anything during that time.  
4     They may not be the golden days, but at least we've got  
5     something that I know I can --

6             MS. BRAUNER: Why don't we bracket it for now.

7             THE COURT: -- tell people. Okay.

8             MS. BRAUNER: I'm happy to --

9             THE COURT: That's perfect.

10            MS. BRAUNER: And just while we're on scheduling.

11            THE COURT: Yep.

12            MS. BRAUNER: We agree with Ms. Driver that in  
13     terms of staging, presumably Jones would file a disclosure  
14     statement. We would file a supplemental or specific,  
15     whatever you want to call it, disclosure statement  
16     addressing any additional issues. If we are moving forward  
17     with a single plan, obviously, that is easier. If we have  
18     competing plans, our disclosure statement would address the  
19     differences, the reasons for them, and the like.

20            THE COURT: Got it. Okay.

21            MS. BRAUNER: So Your Honor, as I said, we're not  
22     going to belabor what was in our status report. We offered  
23     that to the Court to provide some insight into what's been  
24     going on, sort of beneath the surface. We have endeavored  
25     to bring to Your Honor only the things that we had to.

1 There have been ongoing discussions since the first day of  
2 this case. They have not always been easy, but I think they  
3 have always been constructive.

4 And as Mr. Brimmage explained, we had a very  
5 constructive in person meeting that I think did a lot to  
6 progress the cases and to ensure that the parties understood  
7 where every other party was coming from, which I think was  
8 very helpful. But now, as we take these cases forward,  
9 there are a few issues in the Committee's view that are  
10 coming to a head and will need to get addressed.

11 Ms. Driver previewed a couple of them and steps  
12 have been taken. We would say that additional steps need to  
13 be taken in respect of several of them. The first is the  
14 issue of estate resources and the waste of those resources.  
15 We've noted in several recent filings, it's no secret that  
16 the Committee remains quite troubled by the amount of estate  
17 value that is spent on a monthly basis. We've watched for  
18 months as MORs are filed revealing 60, 70, 80, 90 thousand  
19 dollars a month in spend, and that's not professional fees.  
20 That's spend on Mr. Jones's extravagant lifestyle. That  
21 needs to change.

22 Ms. Driver said that a motion was filed recently  
23 in respect of personal property. That's true. We've been  
24 discussing the motion with Ms. Driver for a long time. It's  
25 an important first step. It's not enough. That motion

1 should have been filed in the first weeks of the case and no  
2 effort has been made on the docket yet to sell real estate.  
3 We understand that's also in process. It's another step  
4 that needs to be taken at this point.

5 Mr. Jones needs to understand that a resolution to  
6 this case will require a lot more than has taken place to  
7 date. We have seen positive movement in the last few weeks.  
8 It's taken a year to get here, and it's our view that that  
9 progress needs to accelerate dramatically if we are ever to  
10 reach any sort of consensual resolution.

11 The second point, and again, this was flagged in  
12 our status report, relates to estate causes of action. The  
13 Committee has undertaken an investigation that was extensive  
14 and has uncovered what we believe to be viable estate causes  
15 of action. As of now, Mr. Jones has refused to commence  
16 them.

17 The Committee submits that either the value of  
18 those actions or the actions themselves need to be taken  
19 forward for the benefit of creditors. It's something that  
20 can be taken up at confirmation in connection with  
21 discussions around a consensual plan, but there is value  
22 there that needs to be respected.

23 The third point in zooming out a little bit is the  
24 extent to which these cases are connected. You heard us say  
25 this a few times. We've said it in recent filings and

1 because of this relationship that I'll talk about in a  
2 minute, the Committee and the Sandy Hook families believe  
3 that any resolution really does need to happen in parallel,  
4 whether that means confirmation on the same day, whether  
5 that means a track that accounts for both plans, but the  
6 issues really are intertwined.

7 Your Honor asked at a recent status conference did  
8 FSS file a plan; that has now happened. There can't really  
9 be any dispute, in our view, that in order for the FSS plan  
10 to be feasible, it requires Mr. Jones to commit to the  
11 enterprise. You heard Mr. Battaglia say that today. FSS  
12 and Mr. Jones have been telling us that since the beginning  
13 of the case, that the success of FSS rises and falls with  
14 Mr. Jones's effort. We understand that. We also understand  
15 that liquidating FSS may not maximize value, but ultimately,  
16 it will be up to Mr. Jones whether FSS succeeds, nobody  
17 else.

18 And just finally, a side note and we won't get  
19 into this extensively, to the extent Your Honor has not yet  
20 looked at the FSS plan that was filed --

21 THE COURT: I did.

22 MS. BRAUNER: There's a provision. It's section  
23 13.6, for reference, that purports to enjoin creditors from  
24 taking any action against Mr. Jones, not just in respect of  
25 claims in the FSS case, but also in respect of claims in the

1 Jones case, so direct claims against Alex during the FSS  
2 plan period.

3 So, clearly by its terms, the FSS plan has a  
4 material impact on the Jones estate and the Jones case. The  
5 Committee certainly reserves all rights with respect to that  
6 provision which we believe is inappropriate and the plan  
7 generally, but just to make clear, I don't think there can  
8 be any hiding the ball that these cases are intertwined.

9 It's also clear to us that Mr. Jones will be  
10 unlikely to be able to confirm any plan in his case without  
11 the support of the Sandy Hook families. It's no secret,  
12 again, the Sandy Hook families comprise the vast majority of  
13 the creditors in the Jones case. So moving forward with a  
14 Jones plan that doesn't have our support as the members of  
15 the Committee and the Sandy Hook families, will be  
16 challenging in our view.

17 And it's all of this coming together that caused  
18 the Committee and the Sandy Hook Families to put together  
19 the plan construct that we did. And I want to be clear  
20 about a couple of things. We're not going to go into the  
21 details of the plan, but the plan is not intended to be a  
22 liquidation of FSS. The plan is at base a liquidating 11  
23 with respect to Jones' estate. That does not mean that it  
24 contemplates, in either scenario, FSS liquidating. Jones  
25 can either select the toggle which I'll talk about in a



1 second, or he can decline to select the toggle in which case  
2 his estate will liquidate, having nothing to do with the go-  
3 forward path for FSS.

4 And the creditors' plan gives that choice and  
5 frankly all choices to Mr. Jones himself. Mr. Jones can  
6 either elect into the toggle and the toggle is a payment  
7 plan. It's currently contemplated to be a ten-year payment  
8 plan with \$8.5 million a year and then a sharing of 50-50  
9 over 9 million. That number is something that we are still  
10 discussing with Jones and FSS and we'll continue to do so.

11 And if we can reach a consensual resolution as to  
12 what makes sense, we will have a consensual plan that our  
13 current plan construct contemplates. If no consensus can be  
14 reached, our plan would default to a liquidation for Jones'  
15 estate. His estate would liquidate its current value. He  
16 would make no future payments and creditors within the  
17 bounds of applicable state law would be free to pursue him.

18 The choice is really his but continuing on in  
19 Chapter 11 for another two months, six months, eight months  
20 just doesn't make sense which is sort of what brought us  
21 here and brought us to the idea of the schedule that Ms.  
22 Driver articulated and that we certainly support. So, we  
23 would propose with Your Honor's permission, endeavoring to  
24 settle an order and submitting to the Court an order setting  
25 forth the contours of what a schedule would look like, and

1 of course, coming back to Your Honor with any concerns or  
2 questions.

3 THE COURT: Thank you. All right, Ms. Driver, I  
4 know you probably want to say something, so I'll let you get  
5 back up.

6 MS. DRIVER: Your Honor, are we still in the  
7 status conference or do you --

8 THE COURT: Well, no --

9 MS. DRIVER: -- move straight --

10 THE COURT: -- I just know you -- I know you're  
11 going to want to respond to a couple of things that were  
12 said, so I might as well give you the floor now and then we  
13 can kind of get into the substance of the hearing.

14 MS. DRIVER: Sure. Your Honor, Ms. Brauner said  
15 she wasn't going to get into the terms of the plan, but then  
16 she got the terms of the plan. So I guess I need to respond  
17 slightly to that, especially considering media coverage we  
18 have at this -- and then I --

19 THE COURT: I'm not worried about the media  
20 coverage.

21 MS. DRIVER: Yeah, and --

22 THE COURT: Y'all may be, I'm not. Just -- let's  
23 just focus on what we're doing here and I -- but I get it.  
24 I get it.

25 MS. DRIVER: And I don't speak to the media

1 outside of it, only my pleadings and my statements to Court  
2 or what go to the media and that this case does have some  
3 media impact.

4 THE COURT: No, no. I got it.

5 MS. DRIVER: In that there are media impact  
6 issues. So I did want to just note that for the record,  
7 plan that's on file, that the creditors have put on file,  
8 have asked in order to have any chance of getting rid of the  
9 nonchargeable judgment for Mr. Jones to commit \$85 million  
10 and to run his business with FSS in his media empire for ten  
11 years. So their desire now is for him to work to do this  
12 and do this at a level that he has never done it before.  
13 So, there's no financial -- there are no financial that will  
14 ever show that Mr. Jones ever made that for a period of ten  
15 years.

16 There's no plan that I've ever seen for an  
17 individual that goes past five years. There is the  
18 statement that they have the value of a non-dischargeable  
19 judgment that they're trying to exchange for this. The  
20 issue for that is for a 49-year-old man going into a media -  
21 - in a media company in a world that is changing probably  
22 faster than I can blink.

23 It's just completely outrageous to say or think  
24 that they're going to fight and in one pleading in front of  
25 Your Honor today, say he's never made more than \$641,000 a

1 year, so he should not be given his \$1.5 million salary, but  
2 in their plan, say he should guarantee us \$8.5 million a  
3 year for ten years.

4 They're just -- they're so diametrically  
5 different. It's just, it has been very difficult for us to  
6 figure out where they are going. To tell us he's never made  
7 more than \$700,000 but that somehow in some world he's going  
8 to be expected to pay 8.5 million a year for ten years,  
9 they're just not living it. That's just -- neither one of  
10 those are rooted in reality. We are moving through this  
11 case. To hear Ms. Brauner speak, I just -- it doesn't feel  
12 like we agree on all the things that we agree on.

13 We agree on so, so, so, so much, but I feel like  
14 so much is said in our pleadings for client management. So,  
15 I'm -- I also want to note that I have always referred to  
16 them as the plaintiffs because there are people that are in  
17 their constituency that were never related to anyone who's a  
18 victim at Sandy Hook. So I usually refer to them as the  
19 plaintiffs and I am not doing that in any way to disrespect  
20 anyone, but hopefully to give respect to everyone who has  
21 claims.

22 So, Your Honor, I think I'm just back up here just  
23 to say happy to work on an order.

24 THE COURT: Okay.

25 MS. DRIVER: We want to get out in the same amount

1 of time. We are still moving to liquidate nonexempt assets  
2 and a lot of the expense that has been complained about over  
3 and over again is truly -- it is, we are reserving funds to  
4 pay property taxes on the homestead that he is entitled to  
5 maintain and on the nonexempt property that he needs to  
6 liquidate. And if we had not been escrowing for those taxes  
7 properly and escrowing for those insurance payments  
8 properly, the U.S. Trustee would have had the right to come  
9 in and move to dismiss our case, rightfully so.

10 So, a very large amount of the money that they  
11 complain is spent every month is truly escrowed for these  
12 things to maintain the assets. So it's just, we feel that  
13 it is misstated on a common basis about how much he's  
14 actually spending. But anyone here can look up the MORs and  
15 see exactly what is spent, if one can read it such that they  
16 understand the escrows.

17 THE COURT: Thank you. So, the only thing I was  
18 going to ask is, the proposed order that's at least being  
19 contemplated with scheduling, this is a hyper technical  
20 point, but if it's going to include FSS, then go ahead --  
21 Subchapter V, I have to set the scheduling for that and  
22 then, you know, the other, in the Jones case, this is a  
23 technical Chapter 11, then y'all would, you know, ask me for  
24 hearings and I can approve them.

25 But if you're going to do kind of a global dual

1 track -- dual being FSS and Jones case -- then maybe it  
2 makes sense to include Mr. Battaglia in those conversations.  
3 I didn't enter an order. I saw the plan got filed in the  
4 Subchapter V.

5 I didn't enter an order because I wanted us to  
6 have a hearing so that we understood, but technically  
7 Bankruptcy Rule 3017.1, I believe, is the one that tells me  
8 that I've got to enter in order in the Subchapter V cases,  
9 and so I just, if there's going to be an order, then maybe  
10 it makes sense for everyone to kind of have it dual tracked,  
11 so that we're all on the same page in terms of -- but  
12 obviously, they don't need a disclosure statement hearing.

13 And it can change -- it can look a little  
14 different or Mr. Battaglia or I can enter a separate order  
15 that looks like this one. I just want to make sure that  
16 you're not showing up multiple times or being asked to do  
17 extra stuff, but I think that makes sense --

18 MR. BATTAGLIA: I'm always thrilled to come see  
19 you, Judge.

20 THE COURT: Huh?

21 MR. BATTAGLIA: I said, I'm always thrilled to  
22 come see you, Judge.

23 THE COURT: But it's got to make sense.

24 MR. BATTAGLIA: Just one more comment before you -  
25 - you're going to decide how you want to set these. I

1 understand that.

2 THE COURT: No, I think y'all can come back. I  
3 think y'all can settle an order.

4 MR. BATTAGLIA: I just want to say that, you know,  
5 the fact that FSS and Jones are linked because he is the  
6 talent, as they say on the left coast, is undeniable. But  
7 these bankruptcy cases are not. They're procedurally  
8 different. The statute for confirmation is entirely  
9 different and they're really -- they really don't have to be  
10 tried together, but --

11 THE COURT: They don't. I'd just rather -- I  
12 don't want someone to come -- I don't want to take up their  
13 case and then have something where there was a witness who  
14 needed to show up twice. Would do it -- I'd rather do it  
15 all at one time. But the confirmation standards are really  
16 different and they're going to be taken up.

17 MR. BATTAGLIA: Well, they are, I don't have an --

18 THE COURT: No, no --

19 MR. BATTAGLIA: -- absolutely priority rule.

20 THE COURT: No, that's exactly right.

21 MR. BATTAGLIA: Feasibility is a much more limited  
22 question for my estate than it is -- but look. Ultimately,  
23 Mr. Jones can convert or file a liquidating plan and still  
24 agree to be employed by FSS. So there -- that's the  
25 bankruptcy linkage that really isn't there that's advertised

1 to you by the plaintiffs in this case.

2 THE COURT: No, no, I think there are two separate  
3 cases under two separate sections of the Bankruptcy Code,  
4 both with different confirmation standards. One has a  
5 disclosure statement requirement, one doesn't. The  
6 requirements for plan confirmation, the contents of the  
7 plan, they're all very different, and they'll be taken  
8 differently. I just want to take the evidence up at one  
9 time. I don't want, for example, if Mr. Jones had to come,  
10 I don't want him coming twice, if he had to come twice.  
11 That would just be --

12 MR. BATTAGLIA: I've stated my case. The Court  
13 will set it as it -- and I'll participate with counsel. If  
14 the Court is telling me you want to set confirmation  
15 contemporaneously or reasonably contemporaneously, then  
16 that's -- I'll work with counsel to achieve that.

17 THE COURT: Okay.

18 MR. BATTAGLIA: But I just want to --

19 THE COURT: Yeah, no --

20 MR. BATTAGLIA: -- client's position --

21 THE COURT: I agree.

22 MR. BATTAGLIA: -- ready to go forward.

23 THE COURT: Okay. So, let me just ask with  
24 respect to the rejection motion, Ms. Driver, -- I mean, let  
25 me share a thought. Let me see if Mr. Patterson will agree



1 to this. If you're not going forward today, or you don't  
2 want to -- here's what -- I will just share these thoughts.  
3 Whatever -- I don't -- that stipulation didn't assume a  
4 contract under 365. No one asked me to do it but they  
5 settled claims.

6 MS. DRIVER: That's correct.

7 THE COURT: And those claims and the payments  
8 under them are going to be honored according to the letter  
9 of the words, all the way through.

10 MS. DRIVER: That's correct, Your Honor.

11 THE COURT: And it resolves everything until that  
12 inventory gets sold, until I think the stip says, until it  
13 doesn't make any sense to keep trying to market it and that  
14 determination can't get made. So if a -- if any of these  
15 agreements are going to be rejected to the extent that they  
16 remain executory or not, I guess the rejection date, any  
17 request for a rejection date would have to be as of the date  
18 that I sign the order, if you will. I don't want to take up  
19 any kind of pre me signing the stip language, because I  
20 don't know how that flows through and I don't want to --  
21 it's going to -- it's going to complicate matters.

22 So, Mr. Patterson, I think what I'm saying is that  
23 the deal that's on those stips is going to get honored and  
24 if anybody wants to reject those agreements for cleanup  
25 purposes or what have you, whatever claims existed post-

1 petition will exist post-petition and any rejection would be  
2 as of a date whenever that gets taken up, if and when, and  
3 so any pre -- any pre-rejection damages that you may be  
4 entitled to post-petition, that your client may be entitled  
5 to, would not be impacted by any motion to reject that I  
6 would consider.

7 I'll make up something. If something gets taken  
8 up in January, let's just -- oh, mid-December, I could maybe  
9 sign an order in mid-December, but it would be rejected as  
10 of that mid-December date and then those would be  
11 prospective damages after December. But anything pre, you  
12 know, as of the petition date through the rejection date,  
13 would be subject to either admin claims or just the general  
14 damages claim. But it would not be affected by the  
15 rejection.

16 MR. PATTERSON: As long as that's clear, because I  
17 think that that's in -- I could be wrong, but I think that's  
18 inconsistent if the rejection is -- I'm making it up.  
19 Rejection is today, I think it sweeps everything from today  
20 back to the petition date to the petition date. But look, I  
21 don't care. I could be dead wrong. If we carve out post-  
22 petition claims under this contract and leave them intact,  
23 as admin or post-petition claims, I mean, we can't classify  
24 them because we don't know what they are. I'm not  
25 suggesting --

1 THE COURT: No, no, I agree with you, but  
2 rejection would get treated, potentially the damages would  
3 get treated as a, you know, as a prepetition. But I would -  
4 - it would have to be very clear that that -- nothing in the  
5 rejection in any future motions to reject would have to  
6 honor the deal that I signed. We're not going to -- can't  
7 go back on that at all --

8 MR. PATTERSON: No --

9 THE COURT: -- in any way.

10 MR. PATTERSON: Well, now that's more -- but we  
11 don't have anything in front of me. I'm just saying,  
12 anything that's coming my way to reject, has to honor that  
13 deal.

14 MR. PATTERSON: That's fine and I'm good with that  
15 on the platinum. The Bourbon, that's the problem. If, for  
16 example, right, I'm just -- they come into this case and  
17 knowing they're going to reject the -- a contract. Let's  
18 not even put a name on it. An executory contract. I'm not  
19 suggesting that this is exactly what happened, but there is  
20 a scenario in which a Debtor could say it's going to get  
21 rejected.

22 I kind of have a free shot at doing whatever,  
23 breaching this contract in however I want to do it knowing  
24 that that's all going to get swept back. Any damages  
25 related to my breach or my actions or inactions are going to

1 be swept back prepetition and they're just general unsecured  
2 claims, and in this case, what is a general unsecured claim?  
3 Literally, what is it? Even if it's \$100,000, it's nothing  
4 compared to the claims in this case.

5 And I believe as the lawyer that it may not have  
6 been discussed, it may not have been intentional, but there  
7 are post-petition acts that I believe they are attempting to  
8 sweep back and reclassify as general unsecured claims  
9 related to these contracts. I shouldn't say contracts.  
10 We've talked about platinum and I'm okay with that.

11 THE COURT: Yeah, because platinum is really --  
12 it's -- the stip I see is more like an admission that these  
13 are admin claims, right, and so they kind of deal with their  
14 own. On the Bourbon claim, I think you have the right to  
15 then come in, if they decide to go forward with it at some  
16 point, and then come in and make the argument that it  
17 shouldn't get caught into rejection damages, the post-  
18 petition breaches, right --

19 MR. PATTERSON: Correct.

20 THE COURT: -- in and of themselves.

21 MR. PATTERSON: Correct.

22 THE COURT: I think --

23 MR. PATTERSON: And they shouldn't be classified  
24 as general unsecured claims.

25 THE COURT: And I think everybody would have the

1 right to then --

2 MS. DRIVER: That's correct.

3 THE COURT: Yeah.

4 MS. DRIVER: I think that's where this -- I think  
5 that's where my view of this hearing and Mr. Patterson's  
6 maybe got sideways, is that I think Mr. Patterson, my  
7 understanding is he intended to make this a damages hearing  
8 and (indiscernible) things, and I only intended to have a  
9 rejection motion. And so truly today, that's just not -- I  
10 had no intention to go forward on what damages were incurred  
11 and when, and had I known that he was flying a witness in  
12 from North Carolina, I would have been more than happy to  
13 discuss this with him. I did bring my client in, but the  
14 reality is, is that given --

15 THE COURT: Hold on.

16 MS. DRIVER: -- that the expired --

17 THE COURT: I was making progress here.

18 MR. PATTERSON: Yeah, and we just go backwards.

19 But yeah --

20 THE COURT: No, no.

21 MR. PATTERSON: I mean --

22 THE COURT: I got it.

23 MR. PATTERSON: All she has to do is look at my  
24 witness list.

25 THE COURT: And let's just take a look at this.

1 So, if, in other words, no one goes forward today, but the  
2 understanding on the platinum is ---

3 MS. DRIVER: That's correct.

4 THE COURT: -- those are going to get paid in the  
5 ordinary course and no one's going to be able to claw those  
6 back, if you will, because I signed an order --

7 MS. DRIVER: Anyone.

8 THE COURT: -- and parties are going to get paid  
9 in accordance with the terms of that.

10 MR. PATTERSON: Well, then everyone's going to  
11 perform. Mr. Jones has got to hold up his part of the  
12 bargain and he can't just --

13 THE COURT: The order says what it says, in other  
14 words, Mr. Patterson. The order says what it says.

15 MR. PATTERSON: Yes. Yes.

16 THE COURT: And everybody will live to the terms  
17 of that deal, and on Bourbon, if you take it up, well,  
18 everybody's rights are reserved but you kind of know, no  
19 nunc pro tunc, if you will, I think, which is going to -- an  
20 issue. I thought that was a gating issue, but I also think  
21 it just sat out there for a while and --

22 MS. DRIVER: It did.

23 THE COURT: -- it just never got taken up, so I  
24 didn't know if it was just stale or something else.

25 MS. DRIVER: It -- at this point, Your Honor, it

1 is just kind of stale as to those two contracts. So, that  
2 was why at the beginning I mentioned that I'll simply be  
3 going forward with the Mountain Way Marketing one, which is  
4 the only one that was non-contested by anyone and I have a  
5 proffer for Mr. Jones and we can just at least get that part  
6 of it out of the way. And I can just either withdraw as  
7 moot or withdraw without prejudice the remaining relief in  
8 the motion.

9 THE COURT: Okay. That works for me.

10 MS. DRIVER: Okay.

11 THE COURT: Mr. Patterson, what your thoughts?

12 MR. PATTERSON: Frustrated that we have to come  
13 down here to do this when we even talked on the phone,  
14 literally -- Mr. Dalessio left his Thanksgiving weekend with  
15 his kids to come down here and literally, I don't hear any  
16 of this until ten after two when the hearing starts. So  
17 yeah, I'm frustrated. I'm frustrated for him, not me. I'm  
18 just doing my job. This isn't his job and, you know,  
19 they've yanked him around for a year now. They held his  
20 money. They're still refusing to allow other contracts to  
21 be paid.

22 So yeah, it's very, very frustrating. And then to  
23 have him travel and spend the money and not spend time with  
24 his kids, and come down here to have someone say, oh, you  
25 know, we spoke this morning. She didn't say, oh, we're not

1 going to prosecute. She didn't say we're withdrawing.

2 THE COURT: He's leaving with --

3 MR. PATTERSON: So, yeah.

4 THE COURT: He's leaving with some comfort that  
5 I'm going to honor the deal. And I know that's not -- may  
6 not be the most, but I know he's going to take some comfort  
7 that no one's going to try to back door him on the plan.

8 MR. PATTERSON: Well, he had that comfort when we  
9 entered it, Judge, and --

10 THE COURT: No, I agree with you.

11 MR. PATTERSON: And then we get this.

12 THE COURT: I got it.

13 MR. PATTERSON: Right? So how many ups and downs  
14 do we get? So you asked me, I'm frustrated. I'm very  
15 frustrated and we have additional claims that again are just  
16 going to be, are we be paid on time? Are we going to pay  
17 timely? Are they going to actually market the product like  
18 it's anticipated? Are we going to continue to get our  
19 accounting or we're going to get them sporadically, like  
20 we've gotten them? So, yeah, I'm frustrated.

21 My client's really frustrated. This is a lot of  
22 money. We're talking about \$300,000. So, yes, I'm  
23 frustrated with both estates because there are other  
24 contracts and there's more money. Right, and there's also  
25 activities to subvert these contracts, which I know it's not



1 for today, but yeah, I'm frustrated. I'm frustrated with  
2 the lawyers here and the actions of the Debtors. Yes.

3 THE COURT: Thank you.

4 MR. PATTERSON: Thank you, Judge.

5 THE COURT: All righty. So, well, not to take up  
6 on the motion to reject. I think the minutes will then  
7 reflect that the motion has been -- being withdrawn.

8 MS. DRIVER: Except for -- if we could get  
9 Mountain Way done?

10 THE COURT: Oh, Mountain Way, but -- yeah, but I  
11 think Mountain Way isn't objected to, so do you want to --

12 MS. DRIVER: I don't need to make a record if no  
13 one wants it. Happy to get a default order on that.

14 THE COURT: Yeah. What's the order that you have  
15 on file?

16 MS. DRIVER: Your Honor --

17 THE COURT: Where is it?

18 MS. DRIVER: I think it was attached to the  
19 original motion, so it has --

20 THE COURT: 244?

21 MS. DRIVER: -- all of them.

22 THE COURT: Right?

23 MS. DRIVER: 244. That's correct, Your Honor.

24 THE COURT: Let's see.

25 MS. DRIVER: So I'll need to revise that to simply

1 say as to the Mountain --

2 THE COURT: No, no, let me see if I can just do  
3 this. But before I do that, me look at the -- did you file  
4 a proposed order with this, maybe? Let me see. If not,  
5 I'll see if I can pull it off. I want to -- but I want to  
6 look at it before I can -- I don't want to --

7 MS. DRIVER: I'm happy to have my --

8 THE COURT: -- over promise and under deliver,  
9 here.

10 MS. DRIVER: I'm happy to have my --

11 THE COURT: Hold on. Here's your proposed order.  
12 Let's see. Each of the contracts set forth on Exhibit 1. I  
13 can just delete or strike through what you have as your  
14 Exhibit 1. Let me just show you. Hold on, let me tell you  
15 what I'm --

16 MS. DRIVER: It's Page 15 of that document.

17 THE COURT: Hold on. Let me see if I got -- all  
18 right. I can just strike these two agreements and just go  
19 with Mountain Way. There's no objection to it.

20 MS. DRIVER: Thank you, Your Honor.

21 THE COURT: Okay. But then I would just then note  
22 -- just so we have a formal record for the Mountain Way  
23 team, that there was a motion to reject lease or executory  
24 contract filed at Docket No. 244. That motion was  
25 originally filed on April 19th, 2023. I've reviewed the

1 certificate of service and find that there's been proper  
2 service of the motion. There were no objections filed with  
3 respect to the Mountain Way contract. There's been proper  
4 notice of today's hearing.

5           There hasn't been an objection filed in -- well,  
6 it looks like seven months here, so there has been uber due  
7 process provided to those parties and I really would have  
8 listened to any argument there. We're going to carve out  
9 what I would call the ESG contracts that are listed on  
10 Exhibit 1, and I will grant the motion with respect to the  
11 Mountain Way at 244. I'm going to find it's a proper  
12 exercise of the Debtor's business judgment. No one has  
13 questioned that today. No objections were filed and I will  
14 grant the relief requested therein. Okay.

15           MS. DRIVER: Thank you, Your Honor.

16           THE COURT: So that takes care of that and I will  
17 --

18           MS. DRIVER: I think that's everything in the  
19 Jones matter.

20           THE COURT: All righty. So Mr. Battaglia, let me  
21 tell you where I am on cash collateral and I want the  
22 Committee to hear me out, too. Or -- and the -- and what  
23 I'll call the plaintiffs. The code speaks of -- under 503  
24 of transfers, right, and that's any mode of direct or  
25 indirect transfer of property of the Debtor, property

1 including cash. And doesn't really speak with respect to  
2 just employment agreements.

3 It does speak to transfers with respect to retain  
4 an employee or any out of the ordinary course transactions.  
5 And I think what y'all are proposing today falls within the  
6 -- I don't know if it's a retention payment or not, but I do  
7 think parties are entitled to know what at least the  
8 proposed terms were for the at-will employment. I don't  
9 think there's been enough notice of that, but I'm telling  
10 you what I'm willing to do today because I think this is  
11 ordinary course, according to me.

12 If -- you know, if Mr. Jones is -- was  
13 traditionally, you know, prebankruptcy paid, I don't know,  
14 \$644,000, \$650,000 -- a number was floated there -- you  
15 know, case has been going on for a while. I -- you know, I  
16 don't see why he couldn't at least get paid that or a small  
17 number about -- you know, say -- let's just say, you know,  
18 keep a clean number. You know, maybe \$60,000 a month, which  
19 is more than what's going to -- getting contemplated now.

20 And then if you all want to -- and I've got no  
21 issue with it. I mean, we can set a short hearing and come  
22 back and try to get a number that's approved that's larger.  
23 But I think parties would be entitled to at least short  
24 notice at an actual hearing where we can have a 503(c)  
25 hearing, but I don't think using the cash collateral motion

1 today is going to get me comfortable that we're going to  
2 satisfy due process with respect to 503(c) and those issues  
3 that are raised therein, and I think parties are able to do  
4 it.

5 But if there was a kind of close to ordinary,  
6 close to prebankruptcy number there, because the \$20,000 was  
7 negotiated. I remember. I remember that from the InfoW  
8 Prison Planet things, that number, and it just carried on  
9 through. But with the assurance that we're going to have a  
10 plan process that's going to culminate in something by the  
11 end of February, you can have a short hearing on the 503(c)  
12 stuff in a couple of weeks if you want it.

13 I don't see why we couldn't go to some, I don't  
14 know, \$55,000 or \$60,000 number for three months because  
15 that's close to pre -- that's a pretty ordinary course to  
16 me, prebankruptcy. I'm getting close to prebankruptcy  
17 number with some small adjustment there.

18 MR. BATTAGLIA: If I can -- if we can take a break  
19 --

20 THE COURT: Yeah. No, no, no --

21 MR. BATTAGLIA: I do want to respond --

22 THE COURT: I'm throwing thoughts out here now.

23 MR. BATTAGLIA: -- a little bit. I need to talk,  
24 obviously, to Mr. Jones.

25 THE COURT: No, no, no. I -- no, I got it. That

1 doesn't mean that parties can just say no, Lopez, you know,  
2 put them to their evidence. Let's go. I'm here. I'm just  
3 telling people to --

4 MR. BATTAGLIA: I understand.

5 THE COURT: -- think about this. I'm -- because  
6 really what we're talking about with respect to cash  
7 collateral is, what, 90 days at most, right? You know,  
8 December, January, February. Well, than 90 days, right?

9 MR. BATTAGLIA: Now, we've paid the November at  
10 the full -- the rate --

11 THE COURT: I know. But y'all can adjust.

12 MR. BATTAGLIA: -- going forward, and Your Honor,  
13 look the W-2 income, that's part of his compensation  
14 historically. He's been paid \$2.1 million or more for ten  
15 years.

16 THE COURT: Maybe.

17 MR. BATTAGLIA: But --

18 THE COURT: I just don't have any evidence.

19 MR. BATTAGLIA: I understand. I understand.

20 THE COURT: Right. That's where I'm going.

21 MR. BATTAGLIA: Let me visit with them and --

22 THE COURT: And you can have a short hearing, but  
23 I think going this route -- you know, so it could be, you  
24 know, middle of December, we're here and we're dealing with  
25 everything. But I don't want to pick a date, right, because

1 --

2 MR. BATTAGLIA: May I have five minutes?

3 THE COURT: No, no, no, no, absolutely. I think  
4 everybody should think about it. I'm just throwing stuff  
5 out here. But we've settled -- we've resolved rejection.  
6 We've resolved at least the status conference portion in  
7 terms of plan timing. The question is what does cash  
8 collateral look like for the next 90 days for FSS and I get  
9 the Committee's concerns in the, kind of in the Jones case.  
10 And I'm thinking about now through the lens of the FSS case  
11 and what do you pay there?

12 The other thing I would throw out, and I don't  
13 want to blindside anyone, I think there's been a pending  
14 motion to intervene in the PQPR adversary, and I'm going to  
15 grant that. I think there's important matters that need to  
16 get resolved. There have been a lot of issues that have  
17 been raised there. I think PQPR could be owed every dollar  
18 of it. I have no idea.

19 I just think that issue is going to have to get  
20 litigated, and obviously the folks who are asking me to  
21 intervene have a vested interest, and whether that's an  
22 issue or not -- but that's certainly not a today issue one  
23 bit, and I'm not taking it up. I'm just talking what cash  
24 collateral looks like for the next 90 days, but I don't want  
25 to blindside anyone in terms of kind of where we're going

1 and what's coming down the line and what I may sign. I  
2 don't want to -- I want to be as upfront as possible.

3 So why don't you all think about it. If we need  
4 to hold an evidentiary hearing, you know me. I'll be here  
5 all day, and I've asked that the air get turned on because I  
6 think it was a little cold this morning and they turned up  
7 the heat, but now, allegedly the AC, but I can't promise  
8 that. Those are out of my hands, but I -- let's see. It's  
9 3:04. Why don't I come back at, like, 3:15.

10 MR. BATTAGLIA: That'd be fine.

11 THE COURT: Thank you.

12 MR. BATTAGLIA: Thank you, Your Honor.

13 CLERK: All rise.

14 (Recess)

15 CLERK: All rise.

16 THE COURT: Please be seated. I'll just hang out  
17 here.

18 MR. BATTAGLIA: I'll step out, Judge. No worries.  
19 Thank you.

20 THE COURT: I'm just going to sign the order that  
21 I promised everyone I'd sign a little earlier.

22 MS. HARLEN: Your Honor, may I speak?

23 THE COURT: Can you just get closer to a mic?

24 MS. HARLEN: Sorry. Oh, yeah. I'm Danielle

25 Harlen with Crowe and Dunlevy. I just wanted to let you



1 know, they're still discussing, but they're -- will be back  
2 in here shortly.

3 THE COURT: Okay. No worries. I'm just going to  
4 sign the order. I'm completely fine. Working on the  
5 rejection order, so we're all good. Just give me one  
6 minute.

7 Okay, why don't somebody tell me where we are?

8 MR. BATTAGLIA: I think the mutual Debtors'  
9 decision is to ask the Court to approve the rate of pay in  
10 the cash collateral order and to present evidence.

11 THE COURT: Okay. Let's go.

12 MR. BATTAGLIA: And so I would call Patrick  
13 Magill.

14 THE COURT: Okay. Magill, can you please raise  
15 your right hand? Do you swear to tell the truth, the whole  
16 truth, and nothing but the truth?

17 THE WITNESS: I do.

18 THE COURT: Okay. Please be seated and I will let  
19 the record reflect that the witness has been duly sworn in.

20 DIRECT EXAMINATION OF PATRICK MAGILL

21 BY MR. BATTAGLIA:

22 Q Good afternoon, Mr. Magill. Can you tell the Court  
23 what your role is in this case?

24 A Chief restructuring officer of Free Speech Systems.

25 Q And what are your duties in that connection?

1 A I manage the bankruptcy process and I am -- run the  
2 business. I'm chief operating officer of the business.

3 Q What is your role in connection with the compensation  
4 of employees?

5 A Day-to-day operations include the review of all  
6 expenses including salaries and duties.

7 Q Have you, outside of Free Speech Systems, been a CRO or  
8 a CEO of other businesses?

9 A Yes.

10 Q And have you had experience in that capacity in the  
11 retention and compensation of employees?

12 A Yes.

13 Q How many employees have you managed, would you say,  
14 over the last dozen years or so?

15 A A thousand.

16 Q You're familiar with what Mr. Jones' role is with Free  
17 Speech Systems, are you not?

18 A Yes.

19 Q Can you tell the Court how important he is to the  
20 operations of Free Speech Systems?

21 A He's in a role -- without Alex Jones in Free Speech  
22 Systems, there is no Free Speech Systems. So he is the one  
23 individual in the company that's indispensable.

24 Q And have you conducted an analysis of gross revenue  
25 generated by the business when Mr. Jones is not on the air?

1 A Yes.

2 Q And what has your analysis concluded?

3 A When Alex is not in the studio on the air, we suffer  
4 about a 40 percent reduction in revenues day-to-day.

5 Q And that's on short term or long term?

6 A It really doesn't matter. It's usually long term. If  
7 he's gone for a week to ten days, let's say he's on  
8 vacation, there's a significant reduction in revenues.

9 Q Do you know what Mr. Jones's compensation historically  
10 has been from Free Speech Systems?

11 A It usually has run on a salary basis. It runs in the  
12 600 range. In the profit sharing, as he was experiencing  
13 when he was not in bankruptcy, several million dollars a  
14 year. It's ranged on the low end, you know, \$4 million  
15 total compensation. I believe there was one year where he  
16 had about an \$8 million compensation.

17 Q Is it extraordinary for a small business owner to take  
18 compensation in multiple forms?

19 A No, it's very common for any -- someone, particularly  
20 for tax purposes, to take a salary, a reasonably modest  
21 salary for pick up purposes and then to take bonuses or  
22 profit share at the end of the year or during the year.

23 Q What's --

24 A It's very common.

25 Q What's Mr. Jones's current rate of -- prior to

1 November, rate of pay?

2 A Prior to November --

3 Q 2023.

4 A -- 2023, I believe he was making roughly \$540,000 a  
5 year, 560, something in that range.

6 Q \$20,000 a pay --

7 A \$20,000 biweekly.

8 Q And do you know how that number came to be?

9 A I really don't. That was set about the time that I  
10 showed up in October, so that was basically the pay that he  
11 had when I arrived.

12 Q Do you believe that's an appropriate rate of  
13 compensation?

14 A No.

15 Q Why not?

16 A I believe it's too low. I mean, the pay represents a  
17 small amount relative to the revenues that is generated 100  
18 -- virtually 100 percent of all the revenues of Free Speech  
19 is a direct relation shift to Alex's effort. So, we  
20 estimate this year we'll do about \$30 million in revenue.  
21 So, our -- my position was at the time that that was  
22 significantly lower than it should have been. And taking  
23 into consideration his gross compensation in years past, it  
24 was a fraction of what he used to make.

25 Q How many hosts are there for the broadcast on Infowars?

1 A There are three.

2 Q And who are they?

3 A They're Harrison Schmidt and Owen Shroyer.

4 Q And Mr. Jones?

5 A And Mr. Jones.

6 Q Mr. Shroyer been broadcasting for the last 30 days?

7 A No. He has been a host of the federal government.

8 Q What effect has that had on the estate's ability to  
9 generate revenue?

10 A Well, let's put a crimp on us. We've had to do some  
11 substitute hosting. We've moved some people around. We  
12 have a pretty -- we run a pretty lean ship at Free Speech,  
13 so we have a pretty thin bench for talent like that. So  
14 we've managed to get by with two hosts and some substitute  
15 hosts.

16 Q But in terms of revenue, have you noticed a meaningful  
17 decline in revenue with Mr. Shroyer's absence?

18 A There has been some decline, yes.

19 Q With respect to current payroll, how are employees  
20 paid? In advance, in arrears?

21 A They're paid in arrears.

22 Q So if the Court were to approve the payment that's  
23 proposed in the cash collateral order, is that an inducement  
24 for Mr. Jones to stay?

25 A No.

1 Q Do you -- what's your understanding of his commitment  
2 to continue employment if you pay this increased amount?

3 A Well, there's no tie between the increase in pay and  
4 his commitment to stay. He's an at-will employee. So there  
5 was never a discussion with Alex or myself regarding, if I  
6 gave him this money, would he stay; if I didn't give him  
7 this money, would he leave. That was never a discussion I  
8 had with him.

9 Q How long have you been in discussions with Mr. Jones  
10 and his professionals about altering his -- the amount he's  
11 paid?

12 A We started this conversation, I believe, in May of 2023  
13 and we decided to have this discussion. So we included the  
14 increase or the potential increase in the cash collateral  
15 budget in June of 2023 to the full amount, but we did  
16 bifurcate it out on the cash collateral budget to include  
17 the proposed increase underneath the regular -- his regular  
18 pay on top. So, we split that out in there. So, we've been  
19 operating, talking to Alex about this since May or June of  
20 this year.

21 Q Since you were retained in this case in October, what  
22 have you done with respect to employee payment -- excuse me.  
23 Let me strike that, try a better question. Have you altered  
24 any employee's pay or salary since you've been involved as  
25 an employee, as the CRO of this company?

1 A Yes.

2 Q How many employees would you say you've adjusted pay  
3 for?

4 A Fifteen to twenty.

5 Q And do you consider that to be the ordinary course of  
6 your operations as the CRO?

7 A Yes.

8 Q How did you come up with the annualized rate of \$1.5  
9 million?

10 A Took a look at what the -- what he had been making  
11 roughly in the past, in terms of basic pay, plus what I  
12 consider to be a reasonable, you could call it profit  
13 sharing. You could call it additional pay. We also looked  
14 at the proposed \$1.3 million contract that he had, which  
15 there's some question about whether that was a legal  
16 contract or not, but there was a \$1.3 million number at some  
17 point.

18 So, we took that. I took a look at that, plus I  
19 analyzed what amount of money he generates on an annual  
20 basis and I looked at that and the 1.5 represents roughly 5  
21 percent of annual revenues, and I felt like for somebody  
22 who's indispensable like Mr. Jones is, that seemed like a  
23 reasonable amount to pay him.

24 Q And why do you believe it's an exercise of your  
25 business judgment to increase the rate of pay to the level

1 that's proposed in the cash collateral budget?

2 A Well, I think everybody, the environment that we have  
3 currently at Free Speech is one that everybody needs to make  
4 a contribution. We want to reward people for making those  
5 contributions and so with the case of Mr. Jones or for  
6 anybody else, if there's somebody that's producing the way  
7 we need to produce in that company, it needs to be market  
8 rate.

9 One of the things that we all need to be aware of is,  
10 is that Free Speech Systems does suffer from the ability to  
11 adequately recruit employees because of the notoriety of the  
12 case. And so, when you have people that are performing at a  
13 very high level, it's important as CRO of the company to  
14 make sure they're not overcompensated, but they're  
15 adequately compensated to move the company forward.

16 MR. BATTAGLIA: May I have one minute, Your Honor?

17 THE COURT: Of course.

18 MR. BATTAGLIA: Pass the witness, Your Honor.

19 THE COURT: Okay. Cross examination?

20 CROSS EXAMINATION OF PATRICK MAGILL

21 BY MR. PATTERSON:

22 Q Mr. Magill, we established that Jones is the sole owner  
23 of Free Speech Systems, correct?

24 A Correct.

25 Q Hundred percent owner?



1 A Yes.

2 Q And you agree that under this new cash collateral  
3 proposal, FSS would be increasing its payment to Jones to  
4 about \$57,000 every two weeks, correct?

5 A I believe, it ends up being roughly \$75,000 a month, so  
6 I don't know how that works on a biweekly basis.

7 Q Okay. You disagree that it's about \$60,000 every two  
8 weeks?

9 A I'd have to do the math. I'm going to take your word  
10 for it. That sounds about right. Yeah.

11 Q Okay. It also sounds about right that FSS was paying  
12 Jones about \$20,000 every two weeks under the current cash  
13 collateral set up; isn't that right?

14 A That sounds right.

15 Q Now, that pay increase to Jones, does that come with  
16 any job responsibilities?

17 A He remains to be the CEO of the company and on air  
18 talent. Yes.

19 MR. PATTERSON: I'm going to object as  
20 nonresponsive. I'm asking a little bit of a different  
21 question.

22 THE COURT: Well, hold on. I get to rule on your  
23 objection.

24 MR. PATTERSON: Fair enough, Judge.

25 THE COURT: Overruled. You can go ahead.

1 BY MR. PATTERSON:

2 Q Well, let me get a little more clarity. What new job  
3 responsibilities is Alex Jones getting that accompanies this  
4 pay raise?

5 A None.

6 Q Okay. Is there any sort of new duties at all that  
7 Jones is taking on in exchange for this pay raise?

8 A No.

9 Q Okay. Any sort of commitments at all that he's made in  
10 exchange for this pay raise?

11 A No.

12 Q So why is FSS doing this now? Why now?

13 A Because he is grossly underpaid. It's the -- it's not  
14 that he's being overpaid now. He's been underpaid. This is  
15 a way for us to do what we do with any other employee, which  
16 is when you take a look what they're doing and we assess  
17 whether they've been -- their pay is commensurate with the  
18 talent in the additive way in which this company is being  
19 done, we make payment and salary adjustments.

20 In this particular case, it's not a matter that he need  
21 -- he's doing more for more money. He's just been underpaid  
22 and this is -- I spent five months trying to get this  
23 resolved and I couldn't get it resolved. So, this is the  
24 way we did it.

25 Q Well, sir, you understand that Free Speech Systems owes

1 over a billion dollars in liabilities, correct?

2 A I'm very -- yes, I'm aware of that.

3 Q Okay. Do you think it's the time to pay people that  
4 you think are underpaid more money?

5 A I believe it's -- I think it's important for the  
6 company to be able to compensate people, to continue to make  
7 money so that we can pay this back.

8 Q So you can pay this back. So the idea being, it's good  
9 policy to pay people correctly, so they don't leave? That's  
10 the point?

11 A No, it -- well, I mean, they may leave, they may not  
12 leave. That wasn't the case with Alex and the case of Alex  
13 was he was underpaid and I wanted to make sure that every --  
14 he, along with everybody else, is paid commensurate. It's  
15 not just him I've outlined. There are other people that  
16 have been in the company that have been -- that have been  
17 underpaid and I've gone to them and I've taken a look at  
18 what they've done, the value that they add, and I've  
19 adjusted their pay accordingly. It's not just Alex.

20 Q Let me understand this. Is it your testimony today  
21 that Alex Jones is committed to staying on with Free Speech  
22 Systems, no matter how much he's paid?

23 A Yes.

24 Q Okay. So, you're saying that he's being underpaid and  
25 he's happy about it, there's no problem. He's going to stay

1 with the company. So why on earth are we paying him all  
2 this extra money?

3 A Well, he's not happy about it. And you know, it's a  
4 situation whether he's happy, whether or not the actual  
5 issue is when you build a business, when you have a bankrupt  
6 business, which is the business that I'm in as CRO, you come  
7 in, you see where the soft spots are, where you need to  
8 improve them, where you don't. And if there are people that  
9 are adding to the benefit of the company and they're not  
10 adequately compensated, you adjust that and that's what I  
11 did here.

12 Q You adjust this so they don't leave. That's the whole  
13 point.

14 A There was no -- there was no indication with Alex. I  
15 meet with Alex on a weekly basis. There was never a quid  
16 pro quo between this increase in pay and whether he was  
17 going to leave or not leave. This was judgment that I made  
18 based on my business judgment of how to run this company.

19 Q Let me understand this, okay? You're getting a great  
20 deal on someone. You've got this person who you say is  
21 indispensable to the company. He's creating millions of  
22 dollars for the company and he's getting underpaid and  
23 you're getting a great deal, and he has not made any  
24 indication that he's going to leave. And for whatever  
25 reason, for no new responsibilities, no new commitments,

1     you're saying, I'm going to triple how much I'm going to pay  
2     him every two weeks? That's your position here, because  
3     it's just the right thing to do. It has nothing to do with  
4     him --

5     A     It's good business.

6     Q     Why is it good business?

7     A     I've explained this to you. I'll try to do this again.  
8     when you have a staff and you have people that are working  
9     for you in this business, you need to make sure that you're  
10    not only competitive, you don't wait for people to threaten  
11    to leave or to leave. You're proactive in the way you do  
12    things. In the case of Alex Jones, it was very clear that  
13    this is a half a million dollars a year for a man who  
14    contributes 100 percent of the revenue of the business  
15    needed to have a pay adjustment. I do not wait until  
16    there's a fire alarm or somebody threatens to quit in order  
17    to be able to fix the problem. I try to fix the problem  
18    before it happens.

19    Q     Sir, you said he didn't need to pay adjustment earlier.  
20    You said it's very common for business owners to take a  
21    small salary and then get a percentage of the profits. That  
22    was very normal.

23    A     That was -- that's normal when you're not in  
24    bankruptcy, yes.

25    Q     It's also normal when you're not the owner of the

1 business, perhaps, but he is the owner of the business.

2 A I'm not sure I understand your question.

3 Q Well, my point is that his -- there's actually nothing  
4 wrong with his guaranteed salary. It's false that it had  
5 been at the 500o, 600, whatever number we're talking about.  
6 That falls in line with how much an owner charges. You're  
7 using apples and oranges, using a standard for someone who's  
8 not the owner of the business.

9 A No, if Alex Jones was just an employee, I would still  
10 pay him the same amount of money. Doesn't make any  
11 difference. What I was saying earlier was, when somebody  
12 makes the case that he was only making X number of dollars  
13 on a W-2, in cases like that when you're not in bankruptcy,  
14 it's very common to have an owner of a business take a  
15 smaller amount of a salary and a larger amount of bonus of  
16 profit sharing for tax purposes. That was the point of that  
17 discussion.

18 Q And when an owner is not profiting under that  
19 arrangement, they don't get extra money. They just get  
20 their salary. If they're just an owner that gets a lower  
21 salary and then reap the profits. If there are no profits,  
22 they just get the small salary.

23 A Clearly. Clearly, if there was no profits, taking a  
24 profit share, he wouldn't. That is correct.

25 Q Well, he doesn't get profits here.

1 A That's correct.

2 Q On the FSS plan.

3 A I understand.

4 Q So why are we treating him differently?

5 A We're not treating him differently. It's a gross  
6 compensation issue we're talking about here. The parsing of  
7 words between W-2 and salary is a misrepresentation of what  
8 we're talking about. We're talking about gross compensation  
9 for a talent of Alex Jones. It's a compensation issue. How  
10 you get paid, whether it's profit sharing or whether it's  
11 bonus or whether it's W-2, those things, I don't look at. I  
12 look at the total compensation package.

13 As Mr. Jones does not have the ability to share in the  
14 profits, which I will admit are very nice right now, because  
15 of the bankruptcy, the compensation issue has to be looked  
16 at in total. And the only way I can compensate him for the  
17 talent and the work that he is doing is through a W-2, and  
18 that's what we're talking about right now.

19 Q Sir, I didn't hear you compare -- in your opening  
20 testimony, I didn't hear you compare any other companies  
21 when you determined what would be a fair market value to pay  
22 Alex Jones. It's fair to say that you didn't use any  
23 comparable companies when figuring out how much to pay him?

24 A This is a very -- yeah, it's very hard to find  
25 comparative companies in the media space that we're in right

1 now, so --

2 Q Right.

3 A I do not have that.

4 Q So you're just looking at it with nothing, no baseline,  
5 no comparison. You're just kind of looking at it and  
6 deciding how much do you think Alex Jones ought to get?

7 A That's 40 years of experience, sir.

8 Q With no comparables.

9 A I run a lot of businesses. I know what a percentage is  
10 to a man like Alex Jones as a comparison to the revenue that  
11 he's generating. I -- you're right. I don't have any  
12 comparisons. They're not available. I use my business  
13 judgment on that.

14 Q So when you said it was a fair market value, it wasn't  
15 a fair market value. It was just your judgment.

16 A Okay. Right. It was my judgment. Yes.

17 Q Yeah, it was not a fair market value. You're --

18 A -- do a survey. You're a hundred percent right. I did  
19 not go and get a survey. It was my judgment. Yes.

20 Q Now, this is obviously not a severance payment; you  
21 agree with me, sir?

22 A That's correct.

23 Q And obviously, these aren't incentive payments because  
24 he's getting paid no matter how well FSS does, right?

25 A Yeah, that's correct.



1 Q Right. And I think you were testifying earlier about  
2 how it's important to keep him happy, but there's no  
3 incentive in this structure to make him happy. He gets paid  
4 regardless of how well he does his job.

5 A He gets paid for the job that he does. Yes.

6 Q So if FSS' sales go way down, he's still going to get  
7 paid the same amount of money?

8 A Yes.

9 Q In the salary. Yeah. And if it goes up, it's still  
10 regardless, right? There's no incentive for him to work  
11 harder, to do a better job to earn this money. It's just a  
12 raise that you think in your discretion he ought to get?

13 A That is correct.

14 Q Have not been presented with any offers from any  
15 competing employers, correct?

16 A Not that I'm aware of, no.

17 Q You're not aware of any?

18 A I'm not, no.

19 MR. PATTERSON: Judge, if I can get a minute,  
20 confirm --

21 THE COURT: Of course.

22 MR. PATTERSON: Judge, I'm going to pass to my co-  
23 counsel.

24 THE COURT: Thank you.

25 CROSS EXAMINATION OF PATRICK MAGILL

1 BY MR. KIMPLER:

2 Q Good morning, Mr. Magill. Kyle Kimpler from Paul Weiss  
3 on behalf of the Connecticut plaintiffs. I wanted to follow  
4 up a couple of questions on your analysis of what the fair  
5 market value is for Jones' salary. Before I do, the salary  
6 that's proposed under the cash collateral order right now,  
7 you agree that's wages. What you're proposing to pay, the  
8 60 -- \$57,000 every -- biweekly, that would be reported as  
9 W-2 wages for Mr. Jones; is that correct?

10 A That's correct.

11 Q Okay. And you understand that historically Mr. Jones  
12 has received W-2 wages and then additional flowthrough  
13 income as the 100 percent owner of Free Speech Systems; is  
14 that correct?

15 A That's the way I understand it, yes.

16 Q Okay. And when you did your analysis of whether or not  
17 Mr. Jones was underpaid, you looked to both of those forms  
18 of compensation?

19 A I did, yes.

20 Q And so you believe that in assessing the right amount  
21 to pay Mr. Jones, what used to be taken as equity  
22 compensation should be instead converted to W-2 wages?

23 A A portion of that, yes.

24 Q Okay. How much W-2 wages did FSS pay Mr. Jones in  
25 2022?

1 A I'm not certain about that, but it's -- I would just  
2 have to guess. I'm not -- I don't recall it right off the  
3 top of my head.

4 Q If I told you it was less than \$350,000, would you have  
5 any reason to disagree with me?

6 A That sounds low.

7 Q That sounds low? Have you seen Mr. Jones's tax  
8 returns?

9 A Not recent tax returns, no.

10 Q Okay. Are you aware that Mr. Jones filed an  
11 administrative claim motion against FSS?

12 A Yes.

13 Q And you're aware that FSS filed an objection to that?

14 A Yes.

15 Q Okay. That objection, which is at Docket 732, FSS  
16 states that Jones's W-2 income has historically accounted  
17 for less than 20 percent of his annual income. Jones's  
18 total income from FSS has exceeded \$2.5 million a year. So,  
19 if I'm reading that right, 2.5 million a year, that's the  
20 total all-in compensation. I think you used a similar  
21 number earlier, right?

22 A I don't recall using \$2.5 million but I used the term  
23 total compensation, yes.

24 Q Do you think his total compensation on average has been  
25 around \$2.5 million a year?

1 A I would think it would be at least that, yes.

2 Q Okay. And if 20 percent of that is W-2, what does that  
3 tell you his average annual W-2 income is?

4 A Six hundred, whatever that number is. Yeah, whatever  
5 that --

6 Q You have 2.5 million, it was 10 percent, you'd be at --

7 A Two-fifty.

8 Q All right, so 20 percent would be?

9 A Five hundred.

10 Q five hundred.

11 A Yeah.

12 Q Okay. And in 2022, you don't know if he actually got  
13 \$500,000?

14 A I do not, no.

15 Q Okay. And you have no reason to disagree with me that  
16 he received maybe less than 350,000?

17 A I have no basis to know one way or the other.

18 Q Okay. Do you know how much he was getting paid  
19 biweekly immediately before FSS filed?

20 A No.

21 Q Would it surprise you if it was only \$8,000 every two  
22 weeks?

23 A It would surprise me, but the way that he drew money  
24 out of the -- out of the company, I don't know. It's -- he  
25 looked at it as, I'm sure, total compensation. So, I don't

1 know what he was doing on W-2s. I don't know.

2 Q So, as we look for a fair market value of W-2 income,  
3 who do you think determined, prior to your involvement, how  
4 much W-2 income Mr. Jones had?

5 A Probably Alex.

6 Q So, if he himself agreed, for example in 2022, to pay  
7 himself less than \$350,000 of W-2 income, you don't think  
8 that's an important data point in your consideration?

9 A No.

10 Q Why not?

11 A Because it's not total compensation. Here again,  
12 you're talking about W-2 and W-2 is only part of  
13 compensation. There's also profit sharing and bonuses that  
14 go into that. I'm confident, based on what everybody's  
15 talked about, about way Alex spends money that he was making  
16 -- he was being compensated more than \$350,000 a year. So,  
17 no, I don't believe that. I don't think that's relevant  
18 here.

19 Q You believe he's entitled to the income that the  
20 business creates?

21 A All I'm saying is, is if you say W-2 of 350,000 or  
22 250,000 or 8,000, it's -- that's not the total compensation  
23 this man makes. And so as he does not have access to profit  
24 sharing or bonuses or anything else, when you compare year  
25 to year the compensation this man has made to just relate it

1 to just W-2 is a false equivalent.

2 Q You understand in a Subchapter V case, a Debtor has to  
3 pay 100 percent of net disposable income to its creditors?

4 A Yes.

5 Q So, and you understand that in many Subchapter V cases,  
6 there are similar ma and pa type businesses with a single  
7 owner?

8 A Yes.

9 Q So, your position today is that the equity draws that  
10 that owner takes that are supposed to go to creditors can  
11 instead be changed to a fixed salary and that that's  
12 appropriate under the Bankruptcy Code?

13 A I'm not sure exactly how to answer that question.

14 Q Okay.

15 A I'm -- what you're asking me is -- I'm not a lawyer.  
16 I'm a CPA. Okay, so I don't know what's appropriate, what's  
17 not. What I do know is what's appropriate compensation for  
18 a man who generates \$30 million a year in the business.  
19 We're talking about gross compensation.

20 Q Has Mr. Jones -- are you aware that Mr. Jones believes  
21 that he has a binding contract with FSS today?

22 A A binding contract with it? Like an employment  
23 agreement?

24 Q Yes.

25 A I don't believe he does. No, I don't believe he

1 believes that.

2 Q You don't think he believes that?

3 A No.

4 Q You're aware that he filed an administrative expense  
5 claim motion against FSS saying that he had a binding, valid  
6 contract that was going to pay him \$1.9 a year?

7 A I know that his lawyers filed it, but in my  
8 conversations with Alex, Alex believes, and so do I, that he  
9 views himself as an at-will employee.

10 THE COURT: Are you implying that Alex Jones'  
11 lawyers filed something without his permission?

12 THE WITNESS: No, I don't -- no, Your Honor. What  
13 I'm saying is I don't think Alex Jones --

14 THE COURT: Just want to clean the record.

15 THE WITNESS: It's --

16 THE COURT: Because I want to make sure that we  
17 have a clean record, that there's no implication. Ms.  
18 Driver, you don't have to address it. I'm just cleaning the  
19 record.

20 MS. DRIVER: It's just been withdrawn --

21 THE COURT: It's -- I understand that, but if  
22 something was filed, I want to make sure.

23 THE WITNESS: Your Honor --

24 THE COURT: There's no -- that there's no  
25 insinuation in any way that Ms. Driver has filed something

1 that was not one way -- approved without anyone's knowledge.  
2 I just want to make sure that we clear the record on that  
3 and I got your point. I'm not saying you haven't had those  
4 conversations. I just want to make sure we just have a  
5 clean record on kind of what we're saying and what we're not  
6 saying.

7 THE WITNESS: Are you looking for a response from  
8 me, Your Honor?

9 THE COURT: Not at all.

10 THE WITNESS: All right.

11 THE COURT: I just want to make sure that we have  
12 a clean record.

13 THE WITNESS: Okay, fair enough.

14 BY MR. KIMPLER:

15 Q Has Mr. Jones been performing his duties at FSS during  
16 this case as you would expect him to?

17 A Yes.

18 Q Doing the shows that he's committed to do?

19 A Yes.

20 Q Selling the products that he's supposed to be selling?

21 A Yes.

22 Q Okay. You're aware of the original plan that FSS filed  
23 in this case in February?

24 A Yes.

25 Q And you're aware of the projections that were filed in



1 the February plan?

2 A Yes.

3 Q How much in that plan did FSS predict would be paid to  
4 creditors in the year 2024?

5 A I just have to go by memory. It's a long time ago. I  
6 would -- few million dollars? I don't know.

7 Q Told you it was \$8 million, would you disagree?

8 A No, I wouldn't. It's been a while since I've looked at  
9 the original plan, but.

10 Q So, in February you had -- you said you started these  
11 discussions with Mr. Jones about increasing his salary, I  
12 think you said in May?

13 A Yes.

14 Q All right. So, in February before any of this came up,  
15 FSS files a plan. Says, we're going to pay our creditors \$8  
16 million in 2024. You with me?

17 A Okay. Yeah.

18 Q All right. And you guys filed a new plan last week?

19 MR. BATTAGLIA: Your Honor, I'm going to object.  
20 Mischaracterizes the plan. Plan said it would pay net  
21 disposable income. Rejections have qualifiers in them.

22 THE COURT: I don't know where we're going, Mr.  
23 Kimpler. Where are we going with this?

24 MR. KIMPLER: If you just give me one second, Your  
25 Honor, I think you'll see. We are going to --

1 THE COURT: I don't --

2 MR. KIMPLER: -- issue of --

3 THE COURT: I don't want you to --

4 MR. KIMPLER: This is not getting into plan  
5 confirmation. This is -- we'll quickly go back to his  
6 salary.

7 THE COURT: All right, I'll give you a little.

8 MR. KIMPLER: Okay.

9 THE COURT: I'll give you a little latitude.

10 BY MR. KIMPLER:

11 Q Last week you filed new projections. Do you know what  
12 the proposed distribution to creditors in 2024 is?

13 A I don't recall.

14 MR. BATTAGLIA: Objection, Your Honor.  
15 Mischaracterizes the record.

16 THE COURT: Yeah.

17 MR. KIMPLER: Objection is --

18 THE COURT: I'm not taking it as evidence.

19 BY MR. KIMPLER:

20 Q What -- would you disagree if I said it was \$4 million?

21 A Probably not.

22 Q So, the projections for what FSS can pay its creditors  
23 in 2024, 50 percent less. Is Mr. Jones taking any reduction  
24 in salary?

25 A No.

1 Q So, even though the projections of what would be paid  
2 to creditors will decrease by 50 percent, Mr. Jones will get  
3 the same amount?

4 A Correct.

5 Q And you're supportive of that?

6 A I am.

7 Q You understand that FSS filed a motion seeking an  
8 employment contract with Mr. Jones?

9 A Yes.

10 Q In that motion, FSS said -- I'm quoting -- "It's  
11 necessary" to get a contract with Mr. Jones. Do you agree  
12 with that?

13 A I do.

14 Q Why do you think it's so important to have a --

15 A Yeah --

16 Q -- contract with Mr. Jones?

17 A Long term for the feasibility of the plan, it's  
18 important for us to get Alex signed up to a long term deal  
19 for the plan, the feasibility of the plan going forward.  
20 Yes.

21 Q Are you getting that today?

22 A I'm sorry, what am I getting?

23 Q A long term contract with Mr. Jones?

24 A I would hope so, but that's between now and plan  
25 confirmation. Right now, I don't have one.

1 Q So you're going to pay somebody before you have the  
2 contract?

3 A I'd pay Mr. Jones the same amount of money, whether he  
4 was at-will or not. I feel from the bankruptcy perspective  
5 for the benefit of the confirmation of the plan and the  
6 feasibility of the plan, it's important that we have a  
7 contract with him. If we were not in bankruptcy or wasn't  
8 filing a plan, I wouldn't feel the need to do one.

9 Q What does FSS get in exchange for increasing Mr. Jones'  
10 salary?

11 A We get his services.

12 Q Don't you have them today?

13 A Yes.

14 Q So what does FSS get by increasing Jones salary?

15 A His continued services. His services.

16 Q That implies to me that you may lose those services?

17 A No.

18 Q There's no risk you're going to lose the services?

19 A I don't know that.

20 Q You don't know.

21 A I don't know if he's going to leave or not. He has --  
22 I mean, he has not said he's going to leave. I have no  
23 commitment long term either way. This is an at-will. In my  
24 opinion he's like -- the way I look at Alex Jones is the way  
25 I look at anybody else at Free Speech. They're an at-will

1 employee. They can leave anytime they want. If they're  
2 fairly compensated -- all of our employees are fairly  
3 compensated and treated fairly, they will be productive  
4 members of the company. That's the whole purpose is to  
5 create that kind of environment. And that's all I'm doing  
6 with Alex is the same thing I've done with everybody else in  
7 the company. No different.

8 Q Other than getting his services, is there anything else  
9 that FSS gets by granting this salary increase now?

10 A No.

11 MR. KIMPLER: No further questions from me, Your  
12 Honor. Thank you.

13 THE COURT: Thank you very much. Anyone else have  
14 any questions?

15 MR. LEMMON: Yes, Your Honor.

16 CROSS EXAMINATION OF PATRICK MAGILL

17 BY MR. LEMMON:

18 Q Mr. Magill, I understand that you're of the view that  
19 Mr. Jones is not going to leave FSS, but let me ask you,  
20 because you did the projections, what will FSS' revenues be  
21 in 2024 if Mr. Jones is not there?

22 A Well, hard to say. A fraction.

23 Q Well, seven-eighths can be a fraction, but --

24 A I would say it would go from -- if you use 100 percent,  
25 I would say you're looking at 15 to 20 percent.

1 MR. LEMMON: Thank you. Nothing further, Your  
2 Honor.

3 THE COURT: Thank you. Anyone else have any  
4 questions?

5 MR. BATTAGLIA: Just a couple.

6 REDIRECT EXAMINATION OF PATRICK MAGILL

7 BY MR. BATTAGLIA:

8 Q You know who Joe Rogan is?

9 A I do.

10 Q Do you know what he's paid?

11 A I've -- I don't know that I've heard what he's paid.

12 Q Do you know, from your understanding, whether it's more  
13 or less than what you're proposing to pay Alex Jones?

14 A It's multiple --

15 MR. PATTERSON: Objection, Your Honor. First of  
16 all, it's hearsay and he's speculating. He just said he  
17 doesn't know.

18 THE COURT: I'm going to allow it.

19 BY MR. BATTAGLIA:

20 Q What about Tucker Carlson?

21 MR. PATTERSON: Objection, Your Honor.

22 (indiscernible) laid a foundation that he knows what Tucker  
23 Carlson makes.

24 THE COURT: Well, I think you've got to let him  
25 ask the question and then we can see if the foundation is

1     laid or not. I'm going to allow it.

2     BY MR. BATTAGLIA:

3     Q     There are a universe of media personalities that --  
4     whose compensation is not public; is that correct?

5     A     That is correct.

6     Q     And is there, to your knowledge, a resource that you  
7     could find out what a market would pay for a particular  
8     celebrity who's got a following of X number of unique views?  
9     Is there something that you could look at to discover that?

10    A     No.

11                 MR. BATTAGLIA: Pass the witness, Your Honor.

12                 THE COURT: So, I just have a question. Is there  
13     any documents in the record that can support any of what I  
14     just heard?

15                 MR. BATTAGLIA: There are --

16                 THE COURT: In other words, I heard about \$4  
17     million profit sharing documents. Is there any document in  
18     the record that I can --

19                 MR. BATTAGLIA: Your Honor --

20                 THE COURT: It's -- you're asking me, so how do I  
21     know that that's the number? How do I know that what he's  
22     saying is supported by evidence? I know that's what he  
23     said. I'm just asking if there are any documents that  
24     support --

25                 MR. BATTAGLIA: Well, I'm sure --

1 THE COURT: -- the 600, the 540, his analysis. Is  
2 there any documents? Today was the day that you all wanted  
3 to go forward, so I'm just asking, are there any documents  
4 that are in the record right now?

5 MR. PATTERSON: Yes, Your Honor, I can give you --

6 THE COURT: No, I'm asking Mr. Battaglia.

7 MR. BATTAGLIA: Your Honor, to the extent it's a  
8 best evidence issue, of course, a witness can testify with  
9 knowledge.

10 THE COURT: He certainly can. I'm just asking if  
11 there's any documents that can support any of what I just  
12 heard.

13 MR. BATTAGLIA: I would expect that ledgers --

14 THE COURT: No, no, I'm asking what you all  
15 presented today.

16 MR. BATTAGLIA: I have not presented a document.

17 THE COURT: All right. Thank you very much. Any  
18 other witnesses?

19 MR. BATTAGLIA: Yes, sir. Call Bob Schleizer.

20 THE COURT: Okay, Mr. Schleizer.

21 MR. PATTERSON: Judge, before that goes, I think  
22 we (indiscernible) clarity. I don't think he was on the  
23 witness and exhibit list, Your Honor. I'm just going to --

24 THE COURT: Let's find out.

25 MS. DRIVER: He was on my witness and exhibit



1 list, Your Honor, and I filed it for everything that was set  
2 today. I was going to let Mr. Battaglia ask him the  
3 questions because it was his motion. If there's an  
4 objection to that --

5 THE COURT: I think it's fine. Why don't we just  
6 let him proceed. Sir, can you please raise your right hand?  
7 Do you swear to tell the truth, the whole truth, and nothing  
8 but the truth?

9 THE WITNESS: I do.

10 THE COURT: Okay. Please be seated. Can you just  
11 state your name for the record and spell your last name?

12 THE WITNESS: Robert Schleizer, S-C-H-L-E-I-Z-E-R.

13 THE COURT: Thank you very much and I'll just let  
14 the record reflect that the witness has been duly sworn in.

15 DIRECT EXAMINATION OF ROBERT SCHLEIZER

16 BY MR. BATTAGLIA:

17 Q Mr. Schleizer, what do you do for a living?

18 A I am a financial advisor.

19 Q How long have you been doing that?

20 A Since 1987.

21 Q And have you been involved in bankruptcy cases in the  
22 past?

23 A Yes.

24 Q Give the Court an overview of what your involvement has  
25 been?

1 A I have served in a number of different capacities from  
2 financial advisor to chief restructuring officer. I've been  
3 trustee in a number of different cases as a liquidating  
4 trustee and also as a receiver.

5 Q And what is your role in the Alex Jones Chapter 11  
6 bankruptcy case?

7 A I'm Mr. Jones' financial advisor.

8 Q And you've been approved to be employed by this Court,  
9 correct?

10 A Yes.

11 Q And in that capacity, have you had an opportunity to  
12 review Mr. Jones' financial information, historical records?

13 A As -- yes, I have.

14 Q Are you familiar with his total compensation from Free  
15 Speech Systems historically?

16 A I've seen his tax returns. I've also looked at some  
17 analysis that was performed by -- prepared by former  
18 accountants of his, and I have seen it dating back to 2012.

19 Q Can you tell the Court what Mr. Jones' historical  
20 compensation has been, say, for the last five to seven  
21 years?

22 A The last couple of years have been a bit of a challenge  
23 because of the bankruptcy, but from 2012 to 2020, his W-2  
24 compensation was about \$2.8 million. His overall draws,  
25 distributions from the company were an additional \$50.3

1 million, of which 30 million went to the IRS. So he netted  
2 about five -- it was about \$5.9 million a year average  
3 between 2012 and 2020. Two thousand -- but his, you know,  
4 again, the W-2 compensation they've been discussing has not  
5 really been relevant to what has been compensated for by the  
6 company.

7 Q In your opinion, is it extraordinary for a small  
8 business owner to take compensation through means other than  
9 a W-2 compensation?

10 A No, not at all. And in fact, Free Speech Systems is  
11 not even a separate reporting entity. Mr. Jones shows that  
12 on a Schedule C on his tax return.

13 MR. BATTAGLIA: A moment, Your Honor. Pass the  
14 witness, Your Honor.

15 THE COURT: Thank you very much. Any cross?

16 CROSS EXAMINATION OF ROBERT SCHLEIZER

17 BY MR. KIMPLER:

18 Q Good afternoon, Mr. Schleizer. Again, Kyle Kimpler  
19 from Paul Weiss on behalf of the Connecticut plaintiffs.  
20 Mr. Schleizer, did I hear you say that Mr. Jones had W-2  
21 wages -- well, let me just ask you. What do you believe the  
22 average W-2 wages that Mr. Jones has received historically  
23 to be?

24 A For which period of time?

25 Q Let's start with 2022.

1 A 2022 is \$333,000. And I'm sorry, 2022 -- I believe  
2 that's right, \$333,000.

3 Q For the entire year?

4 A That was his W-2 compensation. He also had  
5 distribution of \$1,067,000.

6 Q And that's on account of his equity interests?

7 A No, that's additional distributions to cover expenses.

8 Q Okay. What is the W-2 income in 2021, ballpark, if you  
9 know?

10 A \$635,000.

11 Q Okay. And before that?

12 A If you go back to 2012, it was zero and it stepped up.  
13 I don't think he drew more than \$200,000 as a W-2 employee  
14 until 2017.

15 Q Okay. And do you know who set these amounts of W-2  
16 compensation?

17 A I'm sorry?

18 Q Do you know who set those amounts?

19 A I do not.

20 Q Okay. To your knowledge, has Mr. Jones ever received  
21 W-2 compensation from FSS in an amount greater than  
22 \$640,000?

23 A Not to my knowledge.

24 MR. KIMPLER: No questions. Thank you.

25 THE COURT: Thank you. Any other questions for

1 this witness? Thank you very much for your time, sir. Oh,  
2 I should ask, any redirect?

3 MR. BATTAGLIA: No, Your Honor.

4 THE COURT: Okay. Thank you very much for your  
5 time, sir.

6 THE WITNESS: Thank you.

7 MS. DRIVER: Your Honor, I don't have any  
8 witnesses, but after Mr. Battaglia is done, I did want to  
9 see if we could move for the admission, just a few documents  
10 from the from the docket.

11 THE COURT: All right.

12 MR. BATTAGLIA: Same, Your Honor. No additional  
13 witnesses and I know that the Trustee's -- Sub V Trustee's  
14 report commissioned by this Court does contain relevant  
15 information. We ask that be taken --

16 THE COURT: Thank you. Anyone else who supports  
17 the relief requested in cash collateral have any witness or  
18 any evidence to present to the Court?

19 MS. DRIVER: Your Honor, if I may, I would just  
20 move for judicial notice of the MORs that have been filed in  
21 both Mr. Jones and FSS cases. Those do contain some of the  
22 historical information that was referenced in Mr. Magill's  
23 direct testimony.

24 THE COURT: Any objection, just taking judicial  
25 notice of the MORs?

1 MR. PATTERSON: No, Your Honor.

2 THE COURT: Okay.

3 MS. DRIVER: Thank you, Your Honor.

4 THE COURT: Actually, hold on.

5 MS. BRAUNER: I think we want to make sure that  
6 they're being admitted for limited purpose --

7 THE COURT: Yeah, they're not being admitted. I'm  
8 just taking judicial notice of them.

9 MS. DRIVER: Thank you.

10 THE COURT: Thank you. Any other evidence or does  
11 your side rest, Mr. Battaglia?

12 MR. BATTAGLIA: -- rest, Your Honor.

13 THE COURT: Okay. Any evidence in opposition?  
14 Okay. Mr. Battaglia, what do you wish to tell me in  
15 closing?

16 MR. BATTAGLIA: Your Honor, we filed the notice  
17 with the increased salary on November 3rd, as I recall, and  
18 I advised the Committee and other counsel here that that was  
19 happening, and of course, we didn't get this objection until  
20 the 21st. I'm not sure if the delay was prominent and we  
21 disclosed it and try to be as transparent as possible.

22 The increase in salary, Your Honor, that Mr.  
23 Magill is proposing here is because he believes it's an  
24 appropriate rate of compensation. And historically, the  
25 compensation since the filing of this Chapter 11 case, you'd

1 mentioned the predecessor bankruptcies. Actually, Mr. Jones  
2 wasn't compensated there. It started with the very first  
3 cash collateral order at 10,000 per pay period and it was  
4 kicked up to 20,000 per pay period that I negotiated with --

5 THE COURT: No, no, no. We've been here from day  
6 one. I remember.

7 MR. BATTAGLIA: But never -- honestly, that number  
8 was not negotiated with Mr. Jones. It was a number to --

9 THE COURT: No, I agree with -- I remember. I  
10 remember. (indiscernible).

11 MR. BATTAGLIA: Move ahead with the case and not  
12 have cash collateral be a consuming issue, which it hasn't  
13 been for a while. When Mr. Jones filed in December and  
14 shortly thereafter, it did become an issue about  
15 whether it was fair compensation, what his contributions  
16 are. There is a prepetition employment contract. Frankly,  
17 I don't give it any credence. It's executed by someone  
18 without authority to execute it and it's meaningless, but it  
19 -- I can -- I know what its intent was. It's irrelevant for  
20 today's purposes.

21 But Mr. Magill has come to his own conclusion,  
22 exercising his own business judgment, not only being  
23 involved in this case for now a year and seeing firsthand  
24 what the contributions of the various parties are, but also  
25 through his vast experience in running other businesses,

1 what an appropriate salary is. There's not a real good  
2 comparator for market value for this business. It's just  
3 unique. You look at any celebrity compensation and the  
4 actor and actress compensation varies so broadly and  
5 ultimately, it's based on the contribution that each  
6 individual makes to the venture going forward and what's an  
7 appropriate rate of pay.

8 And Mr. Magill has made an evaluation and an  
9 analysis of what he believes to be fair compensation in this  
10 set of circumstances. A lot has been made about the fact  
11 that W-2 income has historically been at a different level.  
12 It's been zero before, according to the evidence. That's  
13 certainly not fair.

14 THE COURT: I don't know -- I don't know, what  
15 evidence are you referring?

16 MR. BATTAGLIA: Mr. Schleizer's testimony.

17 THE COURT: Okay.

18 MR. BATTAGLIA: That W-2 income has varied. And  
19 it has varied significantly over the -- even \$300,000 in the  
20 last -- 2022 I guess.

21 THE COURT: Let me ask you a question. What  
22 evidence do I have that Mr. Jones has even agreed to this?  
23 What statements do I have on the record that Mr. Jones has  
24 even agreed to the compensation that was proposed? In other  
25 words, it can be proposed. What evidence is there in the



1 record that he's even agreed to this amount? What  
2 statements do I have from any of the witnesses that shows  
3 that Mr. Jones has agreed to the compensation and won't come  
4 back two weeks later and ask for more? And I'm not saying  
5 he would. I'm just asking, what evidence do I have that  
6 this budget will hold?

7 MR. BATTAGLIA: Well, Your Honor, I think the fact  
8 --

9 THE COURT: Just asking for the -- just asking for  
10 statements. You all wanted to go forward today, so today is  
11 the day we take evidence. What evidence do we have in the  
12 record that Mr. Jones has agreed to any of this?

13 MR. BATTAGLIA: Mr. Jones' counsel is supporting  
14 the effort to move that and --

15 THE COURT: I know, but that's a different  
16 question.

17 MR. BATTAGLIA: And I'll happily more to reopen  
18 the --

19 THE COURT: We can't do that. I'm just asking.  
20 Today was the day. You all wanted to go forward, so today,  
21 we take evidence. What evidence do I have in the record  
22 that Mr. Jones -- I got it. He supports it. But can he  
23 come back two weeks later and ask for more? Has he agreed  
24 to accept this through the budget period?

25 MR. BATTAGLIA: Well, if he --

1 THE COURT: Through plan confirmation, February?

2 What evidence do I have? What I understand, from what the  
3 witnesses told me, CRO said they didn't have discussions  
4 about staying on or potentially staying on for any longer  
5 period. So, what evidence do I have? I

6 mean, I'm being asked to approve, right, like a  
7 million-and-a-half dollar salary, the number in and of  
8 itself doesn't really -- I told everybody they can come back  
9 in a couple of weeks and put it on, but the number itself is  
10 being supported by statements from a CRO and not one  
11 document in the record to support any of the relief  
12 requested and I'm being asked to approve based on the  
13 testimony at least two times W-2 salary and total  
14 compensation of which no one can provide me a firm number of  
15 what the total compensation was, because there's no evidence  
16 in the record to support it.

17 Now, somebody wants to tell me that this is all  
18 ordinary course.

19 MR. BATTAGLIA: Well, Your Honor, he's an at-will  
20 employee and that's clearly --

21 THE COURT: Where is the evidence that shows that  
22 he's always been an at-will employee? Where was that  
23 evidence to show that he was always an at-will? What  
24 statement on the right has been saying that since  
25 prepetition, Mr. Jones served as an at-will employee?

1 MR. BATTAGLIA: Mr. Magill testified that he's  
2 been an at-will employee, in his opinion, since the  
3 bankruptcy --

4 THE COURT: In his opinion, but I'm talking about  
5 documentation. What documentation? There was evidence that  
6 there was a \$1.3 million contract, that there was a motion  
7 to assume it, and that motion was withdrawn. What documents  
8 do I own -- is there, was there a contract or was there not  
9 a contract? I know FSS disputed it. What evidence do I  
10 have that Mr. Jones has even been an at-will employee  
11 prepetition? I got that he was paid total compensation and  
12 that came from two different sources, right, and that makes  
13 -- that doesn't -- that's normal.

14 What evidence do I have now? So now, you're going  
15 to take traditional W-2 plus profit sharing. That was  
16 prebankruptcy. Now, you're going to come -- now, we're just  
17 going to have straight W-2. That sound like outside of the  
18 ordinary course, when ordinary course was a combination of  
19 the two?

20 MR. BATTAGLIA: Well, the ordinary course of the  
21 business at large is that employees are compensated on W-2  
22 income and they're paid --

23 THE COURT: What evidence do I have in the record  
24 that what you're telling me is accurate?

25 MR. BATTAGLIA: Mr. Magill testified that he has

1 given employees raises of their salary, 20 of the employees  
2 he's given raises in the ordinary course --

3 THE COURT: I did hear that.

4 MR. BATTAGLIA: -- of the business.

5 THE COURT: I did hear that.

6 MR. BATTAGLIA: And that as the CRO it's within  
7 his province to decide what people are paid based on their -  
8 -

9 THE COURT: So, let's just take the Jones case off  
10 the table. Can a CEO in a large Chapter 11 case, can the  
11 board just double a CEO's salary and just call it ordinary  
12 course and submit a budget? Just saying, CEO prepetition  
13 wasn't compensated enough. We're going to double the CEO's  
14 salary, right? It's got to have -- and the CEO, you think a  
15 CEO can do that? And let's just call it a Fortune 500  
16 company.

17 MR. BATTAGLIA: I think there are a lot of  
18 variables we left out.

19 THE COURT: But you -- but not really, because  
20 what you're saying is it's ordinary course. Let's just say,  
21 take the same facts.

22 MR. BATTAGLIA: Well, but they aren't the same  
23 facts because prepetition this --

24 THE COURT: CRO determines. CRO determines that  
25 he's not getting paid what he should.

1 MR. BATTAGLIA: The facts here are that the  
2 employee was paid considerably more even than what we're  
3 proposing to pay prepetition.

4 THE COURT: Give me the same -- give you the same  
5 set of facts.

6 MR. BATTAGLIA: And it was arbitrarily reduced as  
7 a result of the bankruptcy --

8 THE COURT: (indiscernible) same set of facts.  
9 Let's just call it a Fortune 500 company that's in  
10 bankruptcy right now. CEO compensation is 50 million bucks  
11 a year. It got reduced to 20 during the case. Can the CRO  
12 unilaterally raise at to \$100 million?

13 MR. BATTAGLIA: Can the CRO -- can the board,  
14 under your original --

15 THE COURT: Let's just call it a privately held  
16 company. Can the CRO approve, unilaterally approve a salary  
17 increase to \$100 million?

18 MR. BATTAGLIA: I'm going to -- the salary  
19 increase to a number that is less than they historically  
20 made in order for the benefit of the business going forward?  
21 I understand the Court's point, but I -- it was the ordinary  
22 course to pay this employee considerably more than what the  
23 CRO is --

24 THE COURT: What evidence do I have that?

25 MR. BATTAGLIA: Mr. Schleizer testified to what

1 the compensation has been.

2 THE COURT: Based on tax returns that are not in  
3 evidence, right?

4 MR. BATTAGLIA: But there's been no best evidence  
5 objection lodge nor, I think --

6 THE COURT: No, but I still have to make a ruling  
7 on this, right?

8 MR. BATTAGLIA: I think the witness can testify  
9 from having reviewed documents and materials to what the  
10 numbers are and that's what he's done here. I think it's  
11 valid evidence and it's in the record.

12 THE COURT: Okay. I'm just pushing the contours  
13 of what you're saying.

14 MR. BATTAGLIA: I know. You do it all the time.  
15 It really pisses me off. (Laughter)

16 THE COURT: I'm just pushing --

17 MR. BATTAGLIA: It's irritating, Judge. Stop.

18 THE COURT: I just need to understand kind of  
19 where we are and what I'm being asked to do. Okay?

20 MR. BATTAGLIA: I don't think this --

21 THE COURT: So, here's the question. What if I  
22 say no? Where does that leave your budget? Right? Because  
23 what you're asking me to do is do an up or down vote today.  
24 That's what you're asking me. You're asking me to approve  
25 cash collateral with that budget or not. There's no gray

1 area now, where we are.

2 MR. BATTAGLIA: Well, there's been gray area on  
3 every budget when someone says that there's a modification  
4 that needs to be made because the numbers are not  
5 sustainable. So, I'm going to pay, Mr. Magill is going to  
6 pay what the Court tells me he's allowed to pay. That's  
7 been consistent throughout this case, whether it's the U.S.  
8 Trustee's Office or a question the Court raises and says I  
9 can't approve this number and it's amended.

10 THE COURT: Okay.

11 MR. BATTAGLIA: And we'll act accordingly.

12 THE COURT: Thank you, Mr. Battaglia. Mr.  
13 Kimpler, I'll start by asking you what's wrong with the  
14 proposition? \$20,000 was a made up -- well, I shouldn't say  
15 a made up number. It was a negotiated number. Doesn't  
16 reflect -- may not reflect fair market value for top talent  
17 services. Why shouldn't I approve it today?

18 MR. KIMPLER: Because the only way you can approve  
19 it is under Section 503. Under Section 503, you have to  
20 have an evidentiary record that either there is no retentive  
21 purpose or that the facts and circumstances of the case  
22 justify it. I haven't even heard those arguments.

23 THE COURT: But isn't that exactly what Mr. Magill  
24 said? He said he -- there was no retentive purposes. It  
25 was an at-will employee.

1 MR. KIMPLER: Well, that's what they say. I think  
2 they struggle to provide any explanation of why now. Why  
3 are we here today? Confirmation's in three months. Claims  
4 to have an admin claim for all the amounts he's owed that  
5 could get treated at confirmation. Been talking about this  
6 since May. Why are we here today?

7 THE COURT: What happens if he's -- if Mr. Jones  
8 elects to not be a part of FSS anymore? I mean, it's -- I  
9 get the concern that they have. It's real.

10 MR. KIMPLER: There's nothing we can do about  
11 that, Your Honor. It's -- at the end of the day, Mr. Jones  
12 has to make a decision. Does he want to continue working  
13 for FSS, including, under situations where Bankruptcy Code  
14 requires 100 percent of his net disposable income to be paid  
15 to creditors or in situations where his case may not go like  
16 he wants to.

17 That is, I think frankly, the elephant in this  
18 room. I think it's exactly why the Creditors Committee told  
19 you, I think correctly, earlier today that these two cases  
20 are inextricably intertwined. Mr. Jones, to my knowledge,  
21 has not given a solid commitment to work for FSS. And we're  
22 kind of in this weird world here today where we're talking  
23 about approving a salary increase but not actually doing a  
24 contract.

25 But if you look at the contract, they actually



1 proposed, it had a lot of really funky provisions like, oh,  
2 I can quit if I don't get a release or I can quit if the FSS  
3 plan doesn't go the way I want it to.

4 THE COURT: It's not in evidence.

5 MR. KIMPLER: Those are in the docket, Your Honor.  
6 You can take judicial notice of what the FSS plan says.

7 THE COURT: No. The record is closed.

8 MR. KIMPLER: Or the employment motion. The  
9 employment motion has been filed and has not been withdrawn.

10 THE COURT: I agree.

11 MR. KIMPLER: So, we're being asked to approve a  
12 salary increase but not a contract. The contract has a  
13 whole bunch of other issues that we haven't even talked  
14 about today, but I -- listen, at the end of the day, Mr.  
15 Jones has to make the decision. Does he want to continue  
16 working for FSS or does he think he's got greener pastures  
17 elsewhere? And nobody can answer that question except for  
18 Mr. Jones.

19 THE COURT: Thank you.

20 MR. KIMPLER: Can I go though --

21 THE COURT: Yeah, absolutely.

22 MR. KIMPLER: -- if I could?

23 THE COURT: I did kind of take over your  
24 presentation. I apologize.

25 MR. KIMPLER: I promise to be short, and Your

1 Honor, we've taken way too much of your time today.

2 THE COURT: No, you haven't. I'm --

3 MR. KIMPLER: Very much appreciated.

4 THE COURT: I'm here Monday through Friday, you  
5 know.

6 MR. KIMPLER: Your Honor, I'll try not to dwell  
7 here, but I do think the background here is important. I  
8 think to your question, well, why not do a little bit more  
9 under this cash collateral order; I think it begs the  
10 question of what has he traditionally received as a salary?  
11 And I think you heard today very clearly, he has never --  
12 the 20,000 a month or sorry, 20,000 biweekly he receives  
13 right now, that works out to exactly \$500,000 a year salary.

14 That is right down the middle of the fairway of  
15 what he has traditionally received. It is actually  
16 significantly more than what he received in 2022. Now, the  
17 only response to that is well, yeah, but that's just W-2  
18 wages. He gets all these equity draws. And if what we're  
19 going to do is say, well, when you're in a Subchapter V  
20 case, you get to take what used to be equity draws and  
21 convert it to salary, so that that now becomes a fixed  
22 operating expense, then what we are saying is that is  
23 something that will be borne entirely by creditors.

24 We're shifting all of the risk to the creditors  
25 who are funding that. And I think it's a blatant, I would

1 say, violation of Subchapter V. I'm not aware of any case  
2 where a Debtor, here tripled their W-2 wages. And the only  
3 reason that is being done, I think we can all agree, is  
4 because Jones recognizes that he's not going to be able to  
5 take equity draws for the next five years.

6 He's never received a salary higher than 640,000.  
7 I think it's mostly been less than that and I think it -- I  
8 think we heard from Mr. Schleizer that in 2022 it has to be,  
9 the prepetition period leading up to this cases has to be  
10 the most relevant benchmark for what is reasonable when we  
11 think about facts and circumstances under 503(c)(3) and the  
12 evidence before you, \$331,000. That's less than he's  
13 getting paid already under the current cash collateral  
14 order.

15 And who set those amounts? Nobody can come up  
16 with anybody other than Mr. Jones that would have had the  
17 decision making authority at FSS to determine how much his  
18 salary was. To ignore that, I think would be to put our  
19 heads in the sand. Mr. Jones determined himself that an  
20 annual salary in 2022 of less than 350,000 was sufficient.

21 I won't go through the history here, Your Honor,  
22 of the employment motion being filed and not prosecuted and  
23 then coming forward on this budget. I do think that  
24 procedurally this is all very funny and I would also say  
25 it's very unclear to me whether FSS has already made a

1 payment to Mr. Jones of \$60,000, which in my view would be  
2 in violation of Section 503.

3 But in any event, there's no basis for the Court  
4 to approve it here today. We believe first and foremost  
5 that this is not an ordinary course transaction. I'm not  
6 going to dwell on that, but there's obviously no evidence  
7 before you that he's ever received any type of W-2 wages  
8 commensurate with this. There's no evidence that he's ever  
9 had an employment contract with FSS.

10 We cite a case in our employment agreement  
11 objection, Graham v. Waverly. This is a Judge Wiles  
12 decision out of the Southern District of New York in 2021  
13 that says, "Salary increases to a CEO are not ordinary  
14 course." I think that's doubly true given the magnitude of  
15 the increase we're talking about here.

16 So if this is not an ordinary course transaction,  
17 we all agree that Jones is an insider, it's very clearly  
18 governed by Section 503. Your Honor knows the history, I'm  
19 sure, of 503, that Congress passed that in 2005 as part of  
20 the BAPCPA amendments, that they intended to "eradicate the  
21 notion that executives are entitled to bonuses simply for  
22 staying with the company." We cited several cases in our  
23 papers, including out of this district, the Country Fresh,  
24 the Pilgrim's Pride, and the General Homes case.

25 So if we're governed by Section 503, and I think

1 this is important, the Debtor has cited no case to the  
2 contrary. There is not a single case that has been cited to  
3 you that says that you could approve this under Section 363.  
4 We've cited numerous cases saying it's governed by Section  
5 503. So let's talk about 503 quickly.

6 We believe this is governed by Section 503(c)(1).  
7 We believe the purpose here is to retain Jones. We believe  
8 there's no evidence -- I think this is undeniably true --  
9 that the Debtor here has met any of the criteria of Section  
10 502(c)(1), including that he has a bona fide job offer. You  
11 heard he doesn't. So, the only issue under 503(c)(1) is  
12 whether or not the purpose of this increased payment is  
13 retention.

14 So, what did you hear today about why this is  
15 being done? Why now? Why, after being in bankruptcy for 11  
16 months, have we finally decided that enough is enough. I  
17 need more money. What we heard was, we need him in the  
18 chair. When he's not on air, the profits drop. We don't  
19 disagree with any of that, Your Honor. I a hundred percent  
20 agree that the value of FSS is tied to Mr. Jones working for  
21 FSS.

22 But that is not the question under 503. Question  
23 is, what are we doing? And I think the negative implication  
24 of everything you heard today is that Jones may leave. He  
25 may say, I've had enough. I'm not going to get any equity

1 draws out of this company for the next five years and I'm  
2 only getting \$500,000 a year. Now, yeah, that's more than I  
3 received in W-2 wages in 2022, but I want more.

4 What else is FSS getting? They're not even  
5 getting a contract, Your Honor. They're not even getting a  
6 firm commitment. They're not getting a covenant not to  
7 compete. They're literally just saying, we're going to pay  
8 you more and you are required to do nothing in return. So,  
9 in the absence of any compelling indication that this is  
10 being done for incentive purposes, that this is tied to any  
11 type of metrics, I believe the only rational conclusion that  
12 it's being done to retain him, which is exactly what  
13 503(c)(1) prohibits.

14 But if we go to 503(c)(3), then that first of all,  
15 I think you'd have to make a decision that the purpose of  
16 this salary increase is not retention, because that'd be  
17 governed by C1. But then, you go to the facts and  
18 circumstances test. Now, in the employment agreement  
19 motion, not a single argument was made for how they passed  
20 muster under 503. In the cash collateral notice, not a  
21 single argument was made.

22 Today at the hearing, I have not heard a single  
23 argument for why this passes muster under 503(c). But let  
24 me tell you why I think it does not pass muster on the facts  
25 and circumstances test.

1 First of all, I believe the purpose here is to  
2 subvert the intent of Subchapter V. As I said, we're  
3 replacing equity draws with salary. You heard very clearly  
4 that when I'm -- when Mr. Magill is thinking about what is  
5 the appropriate amount to pay Jones, he's saying, well, let  
6 me figure out what you used to get in your equity draws.  
7 Let me get you some of that back.

8 Now, the Bankruptcy Code says the net disposable  
9 income goes to creditors. If you just apply that as a firm  
10 rule, you wouldn't include any of that. But they're very  
11 clearly saying, well, we should consider some portion and  
12 here they're saying some portion is a million dollars a  
13 year. A million dollars a year of what used to be equity  
14 income is now going to become W-2 wages.

15 So, what we're doing is we are increasing the  
16 fixed operating costs of FSS and decreasing the net  
17 disposable income. That is, I submit, anathema to the  
18 purposes of Subchapter V and I think it cuts against any  
19 argument that the facts and circumstances of these unique  
20 cases support it.

21 The other part of the facts and circumstances test  
22 I think is important is that there's no guardrails on what  
23 happens to this extra money. Mr. Jones gets an extra, under  
24 this construct, what, \$60,000 a month? Creditors of Mr.  
25 Jones, we are deeply concerned that that will be squandered.

1 From August to October, Mr. Jones spent \$242,000 on personal  
2 expenses; \$80,000 a month. Very quickly, \$12,000 on  
3 housekeeping.

4 THE COURT: I'm not interested in any of that  
5 argument.

6 MR. KIMPLER: Your Honor, if I could just --

7 THE COURT: No --

8 MR. KIMPLER: -- shot here. The facts and  
9 circumstances suggest what is unique about this case that  
10 requires a departure from what Congress said in 2005? What  
11 -- that you're not supposed to give these types of increased  
12 to executives. So, what are the facts and circumstances?  
13 FSS has traditionally not paid this and Mr. Jones, to our  
14 view, doesn't need the money, but I hear you, I'll move on.

15 THE COURT: Thank you.

16 MR. KIMPLER: The last thing, Your Honor.  
17 Confirmation is three months from now. What are the facts  
18 and circumstances that require you on this record to make a  
19 decision today? What is the pressing need here? The facts  
20 and circumstances should say that there is some unique thing  
21 about this case that requires you to act today. I don't see  
22 any reason these issues couldn't be taken up at  
23 confirmation. Maybe we'll know more at the time we get to  
24 confirmation about what's happening to FSS and Mr. Jones,  
25 what Mr. Jones wants to do.



1           Maybe some of these issues will be obviated. If  
2     not, they're free to say that to go forward, they need this  
3     level of compensation. Maybe they'll have an actual  
4     contract they're seeking approval of. But I see no reason  
5     that between now and February, this issue has to be decided.  
6     And I think the only inference for why it does, is again,  
7     one that signals what's going on here as a retentive  
8     purpose.

9           Your Honor, that's all I have. Thank you very  
10    much.

11           THE COURT: Thank you very much.

12           MR. KIMPLER: Happy to answer any questions.

13           MR. BATTAGLIA: Let me respond to what Mr. Kimpler  
14    said, at least some of it. You know, it's interesting that  
15    this is a left pocket, right pocket issue. The money is not  
16    escaping the sphere, whether it's Alex Jones or Free Speech  
17    Systems. At the end of the day, it's staying in a  
18    bankruptcy estate, and I heard guardrails and I sit here and  
19    I'm trying to remember what pleading the Committee or the  
20    plaintiffs have filed in the Jones case saying, you're  
21    overspending.

22           Now, there's some, some reservation of rights, but  
23    have they addressed with you that they think that what Mr.  
24    Jones is spending and what he's spending it on is  
25    inappropriate? Have they come forward with all of these

1 lawyers sitting here and the dozens more back in their  
2 offices and said, you know what, he's overspending? This is  
3 a right pocket, left pocket issue that for my estate's  
4 purpose, where the money goes after I pay it is not my issue  
5 and shouldn't be my issue and can't be my issue.

6 It's theirs apparently, but they don't -- where  
7 have they been? Where have they been? So, you know, let's  
8 talk about 503(c)(1) first of all. There's no evidence  
9 there's a retentive purpose here. Here's what the evidence  
10 is, is that for reasons that really have nothing to do with  
11 Mr. Jones, he's been under compensated since July of 2022.  
12 And we hear that \$330,000 number. It's depressed because  
13 the creditors kept him from getting more in the cash  
14 collateral orders from July through the end of the year.

15 It was either 10,000 per pay period or 20,000 per  
16 pay period. So they've created a number of their own  
17 creation and now they want to beat Mr. Jones and Free Speech  
18 Systems up with that number. And ultimately, as Mr. Magill  
19 has testified, that's not the point. The point is  
20 historical compensation for this gentleman is substantially  
21 greater, substantially greater than what we're proposing to  
22 pay him.

23 Yes, it's coming instead of on his Schedule C in  
24 his tax return, which it's historically been shown as, it's  
25 going to show up on his 1040. And he's going to get a W-2

1 for it. That that's a distinction of no difference as far  
2 as I'm concerned. What's fair and appropriate compensation  
3 for the contribution that this man makes?

4 And you have no evidence that there's any  
5 retentive purpose, that the purpose here is that he's been  
6 under compensated for reasons not -- that he's not  
7 responsible for, that efforts have been made since before  
8 May to try to adjust this inappropriate level of  
9 compensation, and I can't go into settlement conversations,  
10 but I'll tell you that the Committee has been responsible  
11 for the delays since May of trying to remedy this issue.

12 And now, they're telling you by God, they haven't  
13 even come before you with an employment contract. Where's  
14 the employment contract? The same one that they oppose.  
15 They don't want the employment contract. They recognize  
16 that he's vitally important to the business, but they're  
17 opposed to an employment contract that compensates him  
18 fairly.

19 So I don't think 501(c)(1) is relevant here. It's  
20 not a retentive purpose. Facts and circumstances, well,  
21 facts and circumstances arbitrarily under compensated,  
22 substantially under compensated for a long period of time.  
23 Efforts made by the FSS Debtor over a substantial period of  
24 time, try to remedy this situation that have fallen on deaf  
25 ears or been opposed. And so, Mr. Magill, because he wants

1 to compensate all of his employees fairly, has included it  
2 in a budget and been as transparent as he can be by showing  
3 it to parties from cash collateral orders since June,  
4 there's a reference of trying to raise it. And now, he's  
5 just decided we can't -- we just can't wait forever.

6 We've already waited some six or seven months  
7 since this issue has been brought before the parties to this  
8 case, and the time is now. So, Your Honor, we think the  
9 facts and circumstances tests are met, if it's required to  
10 be met, 501(c)(1) is not relevant because there's no  
11 evidence before the Court of a retentive purpose and try as  
12 they might to say that that's their opinion of what it is,  
13 the evidence is to the contrary.

14 THE COURT: Thank you.

15 MR. BRIMMAGE: Your Honor, just briefly.

16 MR. BATTAGLIA: I'm sorry, Mr. Brimmage represents  
17 the Creditors Committee in the Jones case. He has no  
18 standing to be present --

19 THE COURT: Did you file an objection, Mr.  
20 Brimmage?

21 MR. BRIMMAGE: We did not. That's what I wanted  
22 to point out. I heard a lot of vitriol pointed towards the  
23 Committee. The Committee has not weighed in on this. And  
24 that's all I wanted to remind the Court, despite -- I mean,  
25 Ms. Brauner is over here kicking me, not letting me stand

1 up, but if I had my way, I would.

2 THE COURT: thank you.

3 MR. BRIMMAGE: But I just wanted to draw the  
4 distinction, Your Honor.

5 THE COURT: Okay. Anyone else wish to be heard?  
6 All right, so before the Court is the consideration of  
7 motion to use cash collateral and in the Free Speech case.  
8 I think we ought to be clear about that, 22-60043. I would  
9 note -- I may hold the record for this, but I'm hoping not  
10 to -- there have been 16 interim orders that have been  
11 entered in connection with this, for the use of cash  
12 collateral. I probably do hold it under a Subchapter V for  
13 that.

14 But this case is unique and the facts and  
15 circumstances of these cases are unique. Let me just lay  
16 out some law and I'll -- and then I'll kind of -- so, what  
17 is the use of cash collateral? Technically we're here  
18 because Section 363(c)(2) of the Bankruptcy Code says that  
19 the Debtor can't use cash collateral unless the entity that  
20 has an interest in such cash collateral consents, and we  
21 actually have consent here today.

22 So technically, the Debtor can use cash  
23 collateral. The reason that we're here is that the budget  
24 is separate. The Debtor can't use it for any purpose, but  
25 the Debtor is authorized to use cash and the secured lender

1 has no objection to the cash that is being proposed in the  
2 budget. But technically, that's why we're here. So, the  
3 question is, is there anything in the budget itself, secured  
4 creditor consents, but is there anything in the budget that  
5 the Bankruptcy Code itself says can't be used for that  
6 purpose?

7 So in other words, there can be consent under  
8 Section 363. The cash can be used, but it can't be used for  
9 a purpose that runs counter to anything in the Bankruptcy  
10 Code. So what is being asked today is to increase Mr.  
11 Jones' budgeted salary from what has been about 20,000  
12 biweekly to a little over 57,000 biweekly.

13 The Court has considered the evidence before me  
14 and if the salary is going to be approved, here's -- I think  
15 the objecting parties are raising the fact that this may  
16 violate Section 503 of the Bankruptcy Code, and what does  
17 503 of the Bankruptcy Code say? It says, after notice and a  
18 hearing -- and after notice and a hearing, the term notice  
19 and a hearing is defined in section -- is construed under  
20 Section 102 of the Bankruptcy Code.

21 So notice -- it's a construction term -- that  
22 talks about after appropriate notice under the  
23 circumstances, the Court can allow payments, administrative  
24 post-petition bankruptcy payments, but they can't violate  
25 503(c). So, the question, what does 503(c) say? It says

1 they can't be allowed nor paid any transfer made to the  
2 benefit of an insider of the Debtor for the purpose of  
3 inducing them to stay.

4 So question is, you know -- and then C3 would say,  
5 there shall not be allowed nor paid any other transfer  
6 that's outside of the ordinary course of business and not  
7 justified back -- based on the facts and circumstances of  
8 the case.

9 The word transfer is defined in Section 101 of the  
10 Bankruptcy Code to determine any mode of disposition of  
11 property, whether direct or indirect. Here, we're talking  
12 about payment of cash, so there, it would be a transfer of  
13 property.

14 Question is, does any of this violate the code?  
15 Notice what we're here for. I'm going to make a couple of  
16 points. We're here on the use of cash collateral. That's  
17 what today's hearing was about. There's been proper notice  
18 of the use of cash collateral. I don't think there's been  
19 proper notice and hearing, appropriate notice of the  
20 circumstances of essentially doubling or maybe more than  
21 doubling the proposed salary for Mr. Jones. Right?

22 Is that appropriate notice and hearing of that  
23 line item? I don't think so. All right. That's really  
24 what's being asked for me here, but it's a completely  
25 separate code provision. We have notice of the use of cash

1 collateral. That's been consented. That's been approved.  
2 This budget has been out. The notice has been out for a  
3 little over, like, 23, 24 days. I don't think that's enough  
4 notice because we don't know the details. It was just a  
5 line item.

6 That's all that we had before today was notice of  
7 a line item to increase salary for over two-and-a-half times  
8 with no followup documentation, no statement that Mr. Jones  
9 is going to be an at-will employee. No notice of that  
10 Debtor didn't believe it violated Section 503 of the  
11 Bankruptcy Code, and the Debtor may be operating in its best  
12 interest, but the Bankruptcy Code has something to say about  
13 this. And so the question is, what's the evidence before  
14 the Court?

15 What's being asked is to approve about a \$1.5  
16 million salary, right, a little over 57,000 on a biweekly  
17 basis with no contract on the terms that it's going to be  
18 at-will, based on historical compensation of which I have no  
19 evidence of other than testimony of mister -- of the CRO and  
20 Mr. Jones's personal financial advisors. I think they're  
21 being honest, but I have no evidence to know. I don't know  
22 what Jones was paid historically. There's no evidence here.  
23 Nobody submitted a document today and today was the day  
24 everybody wanted to go forward with evidence.

25 So is there proper notice of today's -- of a 503



1 request for an admin claim? No. That's why I said, we  
2 should come back in two weeks. You could have come back on  
3 short notice. There was a motion out there. Everybody  
4 could have come back and asked for the very relief requested  
5 today on notice, providing evidence, giving parties notice  
6 of what the terms are that is going to be contemplated, so  
7 that parties have the ability to contemplate it.

8 No evidence of any of this. There's just a line  
9 item and we find out today what that line item consists of.  
10 So, there's not notice of -- there's not proper notice of a  
11 503 request, and that's what we have. So, we don't even get  
12 to 503(c)(1) or (c) -- there's not even enough notice of a  
13 hearing requesting approval of an admin claim, right? But  
14 then let's go further.

15 You know, is there a retentive base to it? I  
16 don't know. It doesn't sound like it based on the evidence,  
17 but the counter is also, is just as frightening, right?  
18 We're going to increase someone's salary 2X, 3X, 2.5X of  
19 what's traditionally been paid during the case, maybe not  
20 historically, but certainly during the course of the case,  
21 2.5, with no assurances that someone's going to stay for any  
22 longer than a week. No assurances, that we have any  
23 assurance that Mr. Jones would even agree to the amount  
24 that's been paid.

25 I have evidence that prebankruptcy, Mr. Jones was

1 compensated through a combination of a W-2 and profit  
2 sharing. I don't -- I can't understand how it's the  
3 ordinary course of business, right, to then change and come  
4 up with an at-will agreement where there's no structure  
5 behind that payment and we're just going to pay it based  
6 upon Mr. Magill saying that he thinks that that's fair  
7 compensation.

8           It didn't sound like ordinary course of business  
9 to me. It sounds like Mr. Magill is trying to get Mr. Jones  
10 compensated, and I've got no issues with that. I really  
11 don't and I think Mr. Jones is entitled to fair market  
12 compensation, but we need a hearing on that. We need  
13 evidence on what he was traditionally paid and what's fair  
14 market value for someone, Mr. Jones. I don't know what it  
15 is.

16           It sounds like 20,000 every -- you know, biweekly  
17 isn't enough and he's certainly based on the amount that  
18 he's generating, I certainly think he'd be entitled to more,  
19 but we don't have any evidence. We don't have evidence.  
20 There's no documents here and I'm being asked to approve a  
21 million-and-a-half dollar salary based upon -- without a  
22 shred, a document to show what the historical perpetuation  
23 practice was. There's no baseline here. It's testimony.  
24 That testimony isn't supported by any documentary evidence.

25           This violates -- it may violate 503(c)(3). I

1 don't have any evidence that it doesn't and the Bankruptcy  
2 Code says you can't allow or pay it until I can prove that  
3 it's not out of the ordinary course of business. You know,  
4 Mr. Magill may I have a view of what he can do and raise  
5 salaries in the ordinary course of business. Ordinary  
6 course of business is a tricky term.

7 Ordinary course of business during the case,  
8 ordinary course of business based on historical practices  
9 that the company did prepetition? Can't start changing  
10 stuff in bankruptcy that wasn't happening before bankruptcy.  
11 That's the -- that's where this is going. You can -- right?  
12 You can continue to sell in the ordinary course of business.  
13 You continue to pay salaries in the ordinary course of  
14 business, but you change terms, you increase numbers, you  
15 change the way compensation is structured, you still have to  
16 come to Court and people -- notice and a hearing on it.

17 And when it comes to insiders, 503 says you've got  
18 to hold a hearing and you've got to make sure that before  
19 this is allowed or paid that it's not for a retentive --  
20 it's not for a retentive basis and it's not -- it's, right,  
21 based on the facts and circumstances. I don't have any  
22 facts and circumstances to justify this, but I'm open to it.  
23 I just don't think we have it today and today is not the  
24 vehicle to try to shove this through.

25 The problem that we have. This -- today is about

1 the use of cash collateral and there have been, I know, 16  
2 interim orders. The 17th threatens to look a little  
3 different, a lot different, based upon the evidence. I  
4 agree with Mr. Battaglia wholeheartedly. FSS has to  
5 exercise its business judgment as FSS and Mr. Jones is the  
6 talent. There's no question about that and there's no  
7 dispute about that at all.

8 The only way FSS makes money is if Mr. Jones hosts  
9 the show. That's been the -- that's been true since the  
10 beginning of this case and the numbers justify it. There's  
11 no question about that. I just think you got to come back  
12 and ask. I think we've got to make sure that the code is  
13 satisfied.

14 So I'm, you know, based upon the evidence that  
15 I've heard, you know, it sounds like, you know, around  
16 \$650,000 has been prepetition. That's what he was getting  
17 paid. And I know Mr. Kimpler told me that it could be  
18 lower, 300K. I don't have any evidence of that, but there  
19 was a lot of discussion and no one seemed to dispute that  
20 650 was the right number prepetition, somewhere in that  
21 ballpark. So I'm okay with going up to that number.

22 I don't want to do the -- I'll let the CRO do the  
23 biweekly math on what that number is, but if you want to go  
24 higher, just come back and file a motion and ask for -- ask  
25 for it. Ask for, you know, but get me comfortable that this

1 is -- like, I don't know if it's business judgment without  
2 knowing that Mr. Jones is even going to accept the money or  
3 want to come back two weeks later.

4 I'm not saying that he will or he won't. I'm just  
5 saying I don't have any -- one way or the other and I think  
6 there's a way to fairly compensate insiders, and look.  
7 People can agree or disagree with what I'm saying. It's not  
8 really my concern. My concern is just following the code  
9 and making sure that there's been proper notice and hearing  
10 and pushing all the -- making sure that we're following  
11 process. Today is just about the use of cash collateral.  
12 And I'm going to authorize a budget that says this number.

13 If I then ultimately allow a different number, we  
14 can -- that sounds like the budget can be easily reflected  
15 because it sounds like PQPR is going to consent to that  
16 number, if it falls within -- at least within the 1.5.  
17 They're not consenting to it today. Let's just figure out  
18 if that's the right number. But it's got to be based more  
19 on -- today is not the procedural vehicle to go through this  
20 and I don't have the evidence to get me comfortable that  
21 503(c) was even on the table today for a hearing and that we  
22 followed the code.

23 It's the code that's speaking today and it's only  
24 my duty to follow it as faithfully as possible. And I think  
25 that's what I'm doing today, so I'm going to deny -- I'm

1 going to grant the use of cash collateral and I'm going to  
2 approve it subject to a budget of whatever.

3 MR. BATTAGLIA: \$25,000, Your Honor. That's 650  
4 divided by --

5 THE COURT: I'll let you all do the math on what  
6 that number comes to.

7 MR. BATTAGLIA: Your Honor, may I revise the  
8 budget --

9 THE COURT: Yeah.

10 MR. BATTAGLIA: -- upload an order?

11 THE COURT: And upload an order and I'll approve  
12 that. And again, if you all want to have a hearing on any  
13 of the motions that you filed, any motion to approve the  
14 employment agreement or any -- we'll take it up on two  
15 weeks' notice and I've got no issue taking those motions up.  
16 Parties have the right to seek relief requested.

17 And again, I'm not against holding Mr. Jones to a  
18 higher -- to granting him a higher number. It just has to  
19 be processed in terms of where we are today. And, so I'm  
20 not denying anything. I'm just saying what I would grant  
21 based upon the record before me today in terms of the use of  
22 cash collateral.

23 MR. BATTAGLIA: Your Honor, the form of order  
24 tracks the others and set a hearing date. I don't know,  
25 after the September hearing you sort of changed things with

1 --

2 THE COURT: Yeah --

3 MR. BATTAGLIA: -- like (indiscernible).

4 THE COURT: If it's up to me, we do something in  
5 January.

6 MR. BATTAGLIA: But my budget runs through the end  
7 of December.

8 THE COURT: Well, then you'll -- well, no, no.  
9 Well, then you'll something to the end of December. If you  
10 can work something out, just kind of --

11 MR. BATTAGLIA: I'm happy to do like I did in  
12 November with the budget numbers being at this -- the salary  
13 number at 25, to submit a notice before the end --

14 THE COURT: I'm okay with that, if it stays  
15 consistent. I'm okay with that.

16 MR. BATTAGLIA: I get consent from the --

17 THE COURT: Subject -- yeah.

18 MR. BATTAGLIA: -- creditor. I'll do that and  
19 then we can set a hearing.

20 THE COURT: And then we can talk early January,  
21 but I would ask that sometime this week, a scheduling order,  
22 just get it uploaded and just let Ms. Saldana know where we  
23 are about that.

24 MR. BATTAGLIA: And I've got an order I need,  
25 that's passed the negative notice. I'll discuss with Ms.

1 Saldana.

2 THE COURT: You got it. I have signed and Ms.  
3 Driver, on the rejection motion, what I was able to do was  
4 kind of delete the first two boxes but then move the  
5 (indiscernible) box up, so it's the only contract and I just  
6 changed it to contract as opposed to contracts, and I signed  
7 that order.

8 MS. DRIVER: Thank you, Your Honor.

9 THE COURT: All righty? Anything else we need to  
10 take care of today?

11 MR. BATTAGLIA: No, sir.

12 THE COURT: All righty, folks. Thank you very  
13 much. Have a good day.

14 CLERK: All rise.

15 (Proceedings adjourned at 4:48 p.m.)

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CERTIFICATION

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I certify that the foregoing is a correct transcript from  
the electronic sound recording of the proceedings in the  
above-entitled matter.

A handwritten signature in black ink that reads "Sonya M. Ledanski Hyde". The signature is written in a cursive, flowing style.

Sonya Ledanski Hyde

Veritext Legal Solutions

330 Old Country Road

Suite 300

Mineola, NY 11501

Date: December 4, 2023